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Raúl Prebisch and Gunnar Myrdal: Development economics in the core and on the periphery

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1. Introduction

This study analyzes the process of creation and diffusion of development ideas from the perspective of two ‘pioneers in development’¹: Gunnar Myrdal (1898-1987) and Raúl Prebisch (1901–1986). After a period of neo-liberal predominance there is a renewed criticism towards the belief in self-regulating markets, less state involvement and the rejection of policies directed towards more ambitious forms of income distribution. Moreover, there is also a critique towards looking at countries as single units competing with the same conditions for development. We see a new search on structural answers, regionalism and multilateralism as recognition of the ‘importance of interstate cooperation to construct a new global order’.² Again, ‘development’ is not only regarded as a result of each countries adaptation to ‘correct’ market orientation strategies, but also to change in the architecture of the global economic and political system. That is good, but one should be careful in not reinventing the wheel. In our view, the current debate on world political economy could benefit from a review of former thinkers on development and their intertwinement with the international organizations (IOs) that helped to foster their ideas.

Following the works of Prebisch and Myrdal we will be able to analyse the evolution of their development thinking in their complex links between national and international levels. At the national, they were directly involved in outlining development strategies for their respective countries, Argentina and Sweden. At the international, they were prominent members of IOs, particularly those related to the UN-system. They were, among other things,

¹ Gerald M. Meier & Dudley Seers (eds.) *Pioneers in Development* (Oxford, 1984). For a comprehensive view on the growing importance of regionalism across the world, see Fred H. Lawson, *Comparative Regionalism* (Burlington: Ashgate, 2009).

² Giovanni Arrighi, *Adam Smith in Beijing. Lineages of the 21st Century* (London: Verso, 2007). For a comprehensive view on the growing importance of regionalism across the world, see Fred H. Lawson, *Comparative Regionalism* (Burlington: Ashgate, 2009).

the architects of two United Nations regional organizations, the UN's Economic Commission for Latin America (CEPAL)³ and the UN's Economic Commission for Europe (ECE)..By their deep engagement at CEPAL and ECE, they were not only pioneers in development, but also in linking the national level to the international, through regional entities.

Although there is much true in that the UN's structure and agenda was (and is) deeply influenced by interests and hegemonic ideas from big powers,⁴ it's also true that it played a central role as the 'institutional home' from which heterodox ideas on economic policy and theory were elaborated and diffused. Studies on the evolution of development thinking cannot disregard the role of the UN and the outcome of geopolitical confrontations around it. The very geographic connotation of the UN's economic commissions gave this geopolitical confrontation a new character, since it gave identity and voice to the post-war peripheral regions; where the devastated Europe was included. Even if there were commissions in other parts of the world (Asia and Africa), the link between ECE and CEPAL as channels of ideas across regions and as arenas of elaboration of heterodox ideas was particularly relevant. Not the least, for the outstanding position and personal contact of their intellectual leaders.

As this article highlights, Prebisch and Myrdal shared similar innovative perspectives. They made a pledge for a structuralist view of the world, acknowledging the interdependence among regions as well as the asymmetries that made impossible the free play of markets as envisaged by economic liberals. They also had a common view on the need of a more active role of the state and the creation of new international mechanisms to improve the development conditions of the weaker countries. Myrdal and Prebisch represented a new generation of economists at core and periphery, the so-called 'social engineers'; attracted to the UN in pursuit of the highest ideals of humankind after the disaster of World War II.⁵ But they had also differences, which we argue are to some extent related to the different vantage points of the evolution of their regional experiences. Beyond this, we argue that there are many lessons to draw from their experience since the above mentioned issues are still prominent in actual debates on how to confront present economic challenges. That is for example the case of the role of the state, globalization (the international system) and regionalism.

³ The English acronym is ECLA (Economic Commission for Latin America), but we prefer to use the more known Spanish acronym, CEPAL (*Comisión Económica para América Latina*).

⁴ Peter Gowan, 'US: UN', *New Left Review*, Nr. 24, Nov. Dec. 2003, pp. 5-28.

⁵ John Toye & Richard Toye, *The UN and Global Political Economy. Trade, Finance, and Development* (Bloomington, 2004), p. 54.

Regarding the study of ideas in political economy, Peter Hall argues that ideas in political economy (as in other fields), represent an important component of economic and political worlds and should not be regarded as exogenous variables⁶. In his view, the analysis of individuals who promote ideas, and the organizations through which they act, should not be disconnected from their historical particularities: history and culture matters since scholars and “policymakers are influenced by the lessons drawn from past policy experiences”⁷. We will elaborate further on this and add that individuals and organisations, such as the UN’s regional commissions, are influenced by the institutional environments in which they act. Organisations are not neutral; they adopt legitimated norms and values transmitted through the institutional environment to which they conform to receive support and legitimacy⁸. The linkage of the economic commissions to particular regional settings is an example that is analysed in this study.

After World War II, the UN Charter and the Declaration on Human Rights advanced the ideals of equality among nations, progress and development. In that sense the whole UN-system, and the UN Economic and Social Council (ECOSOC) in particular, was marked by a universalist liberal ethos. Yet, the UN institutions cannot be decoupled from the influence of the countries behind the creation of the organization. The UN, like many international bureaucracies, had a ‘double nature’⁹. On the one hand, it expressed the ideals its sponsors, while its actual face showed the somewhat chaotic and interest-based interaction of those who participate in it. One example of the tensions between these two natures can be seen through the ‘in-house research function’, where ‘original research’ “has the potential to be dissonant with the objectives that a bureaucracy and its sponsors are seeking to fulfil”.¹⁰ In the course of defending their research procedures and results, the author’s run the risk of becoming what the authors call ‘defiant bureaucrats’.¹¹ This risk, we add, is not only caused by the potential dissonance between researchers and the objectives of the organisational bureaucracy of the UN and its sponsors. It’s also an expression of the inherent tension between the universalist ideals that the organisation is supposed to convey and the day-to-day dealings of an organisation embedded in geopolitical realities. In the UN, the ‘double nature’ could take

⁶ Peter A. Hall (ed.), *The Political Power of Economic Ideas: Keynesianism Across Nations* (Princeton, 1989), p. 362.

⁷ Ibid, p 362.

⁸ Richard Scott & John W. Meyer, ‘The Organisation of Societal Sectors: Propositions and Early Evidence’, in Walter W. Powell & Paul J. DiMaggio (eds.) *The New Institutionalism in Organisational Analysis* (Chicago, 1991), p. 122.

⁹ John Toye & Richard Toye, *The UN and Global Political Economy. Trade, Finance, and Development*, p. 13.

¹⁰ Peter A. Hall (ed.), *The Political Power of Economic Ideas: Keynesianism Across Nations*, p. 8.

¹¹ John Toye & Richard Toye, *The UN and Global Political Economy. Trade, Finance, and Development* , p. 8.

different forms. At the regional commissions, for example, the sponsors were “different groups of states, operating at different political contexts”¹², from which ‘defiant bureaucrats’ could gain support in order to challenge mainstream views. This ‘defiance’ expressed a challenge to the dominating influence of the two hegemonic Cold War powers - United States (US) and the Soviet Union (USSR) - and their considerations on power politics around the workings of the UN.

In this study, we take Myrdal’s and Prebisch’s leadership and influence at the regional commissions and other UN entities as examples of how the UN was used as a ‘resonance box’ through which states and intellectuals in each region intended to achieve ‘intellectual independency’ for ‘national’ and even pioneering the emergence of ‘regional’ development projects¹³. Our argument is that in the first years of post-war reconstruction, this striving for independence was pursued by states in Europe and Latin America to distance themselves from the geopolitical worldview of the two great powers. Thus, summing up, the main questions this article deals with can be posed as follows: what was the interplay between the ideas of Myrdal/Prebisch and UN-organizations in which they were involved? How did their different institutional environments and world views, at centre and periphery, influence their ideas and actions?

The study starts with a historical background of the ideas and personal engagement of Myrdal and Prebisch. In describing their ‘formative years’, our intention is to identify the historical events that formed their worldviews, with the focus on their early ‘national commitment’ in Argentina and Sweden. Next section analyze their period as ‘international officers’, where the focus here is fundamentally on their ‘regional commitment’, through their work at ECE and CEPAL. In the following part, ‘global thinkers’, we deal with their pathway from ‘regional’ to global thinking and action. Their ‘regional commitment’ can be regarded, and in fact had, elements of ‘global action’. However, this became clearer when they left the regional commissions. In Prebisch’s case, through his leadership at the *UN Conference for Trade and Development* (UNCTAD) and in his later more theoretically oriented work as Chief Editor of the journal *CEPAL Review*. To Myrdal it was clear from the outset that leading the regional reconstruction efforts of the ECE would have global implications since Europe was in the vortex of the East-West divide. Having left the ECE, his major study on

¹² J. Robert Berg, ‘The UN Intellectual History Project: Review of a Literature’, *Global Governance*, Nr. 12 (2006), p. 335.

¹³ Joseph Hodara, *Prebisch y la CEPAL. Sustancia, Trayectoria y Contexto Institucional* (México DF, 1987), p. 13.

South Asia¹⁴ and subsequent works reflect a gradually broadened interest in global development issues with a specific emphasis on the ‘Global South’. Reflecting on the very different conclusions that these ‘global thinkers’ drew from their experiences in international organizations will finally enable us to address the questions indicated above.

2. The formative years of Prebisch – from orthodoxy to heresy

Raúl Prebisch was born in the Argentinean province of Tucumán, in 1901. That was a period of ebullition, marked by the strengthening of an identity that later on would guide his life and action: Latin America. But not much of these ‘Latin Americanist’ sentiments made impression on the young Prebisch, or the dominant economic and political elites in Argentina. During the late 19th-century, Buenos Aires was one of the most modern and fastest growing cities of Latin America and the world, as it benefited by the rise of prices of its primary products; exported to the British market under the economic stability granted by the Gold Standard and the Pax Britannica.

A son of a German immigrant who married into a poorer branch of one of Argentina’s leading colonial families, Raúl was related to the Argentinean elite, but not part of it.¹⁵ This elite regarded him as an ‘outsider’, something that would mark his life and ‘ambivalence to power’. As Dosman and Pollock hold, “Prebisch never liked the oligarchy and they never trusted him, although they used him”¹⁶.

Between 1918 and 1922, Prebisch pursued his studies at the *Facultad de Ciencias Económicas* of the Buenos Aires University where he graduated as accountant¹⁷. It was at the University that he started his writing and thinking in relation to Argentinean political economy and had a strong commitment to serve his country. In 1922, before graduation, he accepted the invitation to become director of the statistical office of the powerful stockbreeder association (*Asociación Rural*) and after completing his degree, he was also invited to join the staff at the university. This dual commitment, in the worlds of research and policy, was one of the characteristics that would be maintained throughout his life. After the coup d’etat on September 6, 1930, the new military government offered him (at the age of 29) the post as Under-Secretary of Finance. In addition to his work for the *Asociación Rural*,

¹⁴ Gunnar Myrdal, *Asian Drama* (New York, 1968)

¹⁵ Edgard J. Dosman, & David H. Pollock, ‘Raúl Prebisch: The Continuing Quest’, in Enrique V. Iglesias, (ed.), *The Legacy of Raúl Prebisch* (Inter-American Development Bank, 1994), p. 16.

¹⁶ Edgard J. Dosman, & David H. Pollock, ‘Raúl Prebisch: The Continuing Quest’, p.16.

¹⁷ *Ibid*, p.17.

his apparent collaboration with the military contributed to a deep hostility towards Prebisch within nationalist circles.

In 1932, in the midst of the Great Depression and the negative impact on the Argentinean economy, Prebisch lost his position at the ministry but was asked to attend a League of Nations meeting at Geneva and be part of the Argentinean delegation to the International Monetary Conference that would take place the following year in London. This international experience was of great importance, since it was here that he understood the insignificance of Argentina in the game of the big countries; an eye-opener to the fact that the “currency of international trade was power”¹⁸. The economic crisis of the 1930s had however set the Argentinean economy in such structural problems that Prebisch realized that there was an urgent need to abandon the free-trade oriented textbooks used so far, and assign a more active role to the state. The shifts of the global economy demanded new alternatives, which forced Prebisch and his colleagues to “tread in doctrinal terra incognita”¹⁹.

Other elements to highlight from Prebisch’s European trip were his first acquaintance with the League of Nations and his visits to the Bank of England and the British Treasury, where he found a raw model for the proposal to establish an Argentinean Central Bank. This was finally created in 1935 with him as the first General Manager. In this position, Prebisch, the ‘outsider’, came to play a key role in policymaking because of his technical expertise rather than through political parties or social organizations. His career channels were the university and the State. At the Central Bank, Prebisch established an ‘island of rationality’ from which he intended to ‘modernize’ the Argentinean administration and search for ways to overcome the country’s difficult financial position²⁰. In 1943, at the height of his career another coup occurred that changed his career path negatively. Having been regarded by the new junta as representing the interests of the oligarchy and foreign trading elites, Prebisch was dismissed from the Central Bank on October 1943. Ironically, these accusations were thrown at him at a moment when Prebisch started to express “serious doubts” regarding neo-classical beliefs. In fact, 1943 was the year that he later defined as, “the beginning of a long period of heresies”²¹.

Prebisch returned to University teaching and began to read widely in recent economic literature, among other things the work of John Maynard Keynes. Later on, Prebisch

¹⁸ Ibid., p. 21.

¹⁹ Joseph L. Love, ‘Raul Prebisch and the Origin of the Doctrine of Unequal Exchange’, *Latin American Research Review*, Vol. 15, No. 13 (1980), p. 47.

²⁰ Dosman, & Pollock, ‘Raúl Prebisch: The Continuing Quest’, p. 26.

²¹ Raúl Prebisch, ‘Five Stages in My Thinking on Development’, in Gerald M. Meier & Dudley Seers (eds.). *Pioneers in Development* (Oxford 1984), p. 175.

recounted that leaving the Central Bank was a “true theoretical liberation”²². At a crucial moment in December 1943, he received a letter of invitation, via the Mexican embassy, to visit the Mexican Central Bank. This latter landed in an extended consultancy with the Mexican Central Bank. During his visits to Mexico he participated in international meetings such as the Meeting of Technicians on Problems of Central Banking of the American Continent in 1946, where, according to Love, he first used the terminology center-periphery in print, identifying the US as the cyclical center and Latin America as a “periphery of the economic system”²³. Prebisch became fascinated by Mexico’s historical and cultural wealth; it was a turning point where he “became Latinized”²⁴.

As long as he could stay at the Buenos Aires University, Prebisch did not want to leave the country and was committed to what Mallorquín calls, “a period of theoretical gestation”²⁵. At this moment Prebisch unequivocally rejected the doctrine of comparative advantage and *laissez-faire*. Industrialization was the answer to strengthening development and maintaining full employment, but this presupposed a deliberate policy that could not rely on the international markets. Prebisch favoured an ‘inward development’, directed to strengthening the internal structure of the economy. Yet, his conflict with the Argentinean government did not cease and he was finally forced out of the University on 15 November 1948²⁶. This paved the way for his international career.

3. The beginnings of Gunnar Myrdal – nationalist and ‘half-American’

Born in the Swedish countryside district of Dalarna, as son of a self-made building contractor, Gunnar Myrdal was the first one in the family to enter higher education.²⁷ In his early twenties while studying Law he can best be characterized as a Swedish conservative-leaning nationalist from agrarian background. But his professional career as well as his attitude to social affairs was however to change with his marriage to Alva Reimer in 1924. It is in fact impossible to understand Myrdal’s intellectual development without its continual interplay with Alva Myrdal (1902-1986), who contributed to broadening his understanding of

²² Carlos Mallorquín, ‘Raúl Prebisch Before the Ice Age’, in Edgard J. Dosman (ed.), *Raúl Prébisch: Power, Principle and the Ethics of Development* (2006), p. 68.

²³ Love, ‘Raul Prebisch and the Origin of the Doctrine of Unequal Exchange’, p. 54. It is perhaps more accurate to say that it was the first time he used the concept in an international setting.

²⁴ Dosman & Pollock, ‘Raúl Prebisch: The Continuing Quest’, p. 28.

²⁵ Mallorquín, ‘Raúl Prebisch Before the Ice Age’, p. 67.

²⁶ Edgard J. Dosman, ‘Markets and the State in the Evolution of the ‘Prebisch Manifesto’, *CEPAL Review*, Nr. 75, December (2001), p. 92.

²⁷ Stellan Andersson & Örjan Appelqvist (eds.), *The Essential Gunnar Myrdal* (New York, 2005).

political economy.²⁸ His dissertation in 1927 on the variability and the role of expectations in the price formation process was primarily an attack on the ‘objectivist’ stance of neoclassical economics defended by established economists in Sweden such as his tutor Gustav Cassel. Stressing the role of expectations in the price formation process he developed a dynamic approach to economics inspired by Knut Wicksell.

In the process of questioning ‘objectivist’ attitudes among economists he was forced re-evaluate the role of social values in science from a deep epistemological point of view. In 1928, he published a book in which he maintained the inescapability and usefulness of value-laden premises in research.²⁹ The first part of his intellectual development thus stemmed from the inner logic of a political economist schooled in mainstream neo-classical tradition; but questioning its static premises, challenging its inability to explain the dynamics of change. A second influence came from economics. For Myrdal, as for Prebisch, the economic crisis that unfolded in 1929 was to have a profound effect. On a research grant in New York from 1929-1930, Myrdal closely witnessed the onslaught of the Wall Street crash and the social effects of the crisis.

In explaining the causes of the ensuing depression Myrdal - inspired by Wicksell - adopted a fundamentally dynamic conception of the functioning of markets. Such a conception is of course also based on subjective valuation – a fact that Myrdal readily would have admitted – and like many other theorists on the tendencies of capitalism towards depression he often was accused of dystopia. More important in this context is his fundamental evaluation of the dynamics of the market as one striving away from equilibrium, towards either irrational exuberance or protracted depression. This implied a much more important role for political intervention that the neo-classical perspective would admit.

In the mid-thirties, he was to devote a large part of his time to social policy. He authored, jointly with Alva Myrdal, a demographic and social inquiry in 1934, arguing that Sweden was facing a demographic crisis. As social scientist imbued by the Enlightenment ideals, with clearly formulated egalitarian premises his view on political economy broadened to include basic questions on social welfare and education as prerequisites for ‘sound economics’. Until 1938, his research activities were mainly focused on issues within a national context. This changed when he received the task of directing a large study on “The Negro problem” by one of the major research foundations of the U.S., the Carnegie Corporation. Four years in the US

²⁸Yvonne Hirdman, *Alva Myrdal. The Passionate Mind*. (Bloomington, 2008) is a seminal work on the intellectual interplay between Gunnar and Alva Myrdal.

²⁹*Vetenskap och politik i nationalekonomien*, later published as “*Political Element in the Development of Economic Theory*” (Cambridge, 1954).

not only established Myrdal as a well known critic of US social affairs but also gave him two major impulses.³⁰ The first one paradoxically liberated him from the dystopian experiences of the economic Depression in the thirties. The rearmament of the United States (1939-1943) amounted to a second industrial revolution with rapid economic growth and full employment. It showed the possibility of combining increased profits and increased welfare, intertwining the interest of the 'modern industrialist' – one of Myrdal's heroes – with those of the US working class, and by this logic indicated the possibility of establishing a long term social consensus.

The second impulse had to do with the conditions arising from world trade. As chairman of Sweden's Post-war Planning Commission 1944-45 and as Minister of Commerce 1945-1947, Myrdal had to deal with trade problems in a very practical manner. Although fervently adhering to the values of free trade his angle was political more than economic. For him international trade was a means of overcoming entrenched nationalisms, creating a rational division of labour rather than a means of intensified competition. However, he argued that it was through practical means, not by establishing rules equal for all that the benefits of free trade were to be accomplished. This attitude echoed the insights of the young economists on the value-laden dimension of political economy: it was not the "objective" effect of the Ohlin-Heckscher theorem on free trade that was going to produce increased welfare for all but a conscious analysis of the economic possibilities of the participants and a clear formulation of the welfare goals to be achieved.

If the label 'practical' was the first character of his approach to trade issues, 'institutional' was the other. Values could only be propagated through mechanisms of institutions. While favouring the continuation of the war-time coordination bodies into post-war international institutions he criticized the discussions at the International Trade Conference in London for being too occupied with general principles and devoting too little time on how to manage markets towards social goals. This again was an echo of his thirties – the need for allowing institutions to consciously countervail market tendencies was important at the international level as well.

Although successful in its initial results, Myrdal's trade policy met severe problems owing to the rapid changes on the international scene in 1946. Being responsible for the large Swedish-Soviet Credit and Trade Agreement he came under heavy fire when exporting industrialists with interests in the US market turned against an agreement they had previously

³⁰ In his work on Sweden's role in post-war politics, he wrote: "Being fully a Swede has not prevented me from being half American", Myrdal, G., "*Varning för fredsoptimism*" (1944), p.8.

urged for. This change of disposition was clearly influenced by the changing moods in Washington. As a junior member of the government he also found himself isolated in his attempts to avert a dollar scarcity crisis that would make Sweden dependent on the good-will of the US State Department. Unable to pursue his larger intentions in trade policy, he eagerly grasped the opportunity to address the trade problems on an international level when he was offered the post of Executive Secretary of the first regional organisation of the United Nations, the Economic Commission for Europe. After arriving in Geneva in April 1947 both his intellectual inspirations and his experiences of practical policy made him well suited to deal with the regional as well as the global development problems he was to face.

4. Regional officers – ECE and CEPAL as vantage points

For Myrdal as well as for Prebisch it was a combination of impasse on the national scene and opportunity on the international level that would throw them out into a career as international officers. Addressing international trade as a regional problem was not new to Myrdal when he took up his position at the ECE. During the war years, he had worked in Stockholm with Willy Brandt, Bruno Kreisky and prominent Norwegians in a group of some 40 exiled German social democratic intellectuals, and others from countries occupied by Germany.³¹ In 1943, they jointly published a Manifesto on the need of a joint European reconstruction effort after the war.³²

The establishment of the ECE occurred at a time when East-West tensions were growing.³³ Myrdal was soon to confront two models regarding the role of an international bureaucracy when setting up his 200- person strong staff: the first is to regard its officers as representatives of the member countries; the second, is to consider them independent civil servants whose loyalty would be to the UN Charter and the task allotted to them by ECOSOC. Should considerations of realist power politics prevail or the liberal universalist ethos of the UN Charter? Myrdal did not hesitate to pursue a recruitment policy based on scientific merits even if it went at odds with opinions within influential governments. Referring to his clash with Britain's chief Neill on Myrdal's recruitment of Nicholas Kaldor as chief of the ECE research division Myrdal later said: "the British were so angry on me and the ECE because

³¹ Klaus Misgeld, *Die "Internationaler Gruppe Demokratischer Sozialisten" in Stockholm 1942–1945. Zur sozialistischen Friedensdiskussion während des Zweiten Weltkrieges* (Uppsala 1976).

³² It was during these years Myrdal met David Owen in Stockholm. Their close friendship was a factor of importance when Owen, acting as Assistant General Secretary of the UN, advanced Myrdal's name as head of the ECE.

³³ A richly documented account of the beginnings of the ECE is given in Vaclav Kostellecky, *The United Nations Economic Commission for Europe: The beginning of a history* (Göteborg, 1989).

they never had given up, right from the beginning, their right to decide would could be recruited to international organisations....They had the idea...that they should decide, yes or no, while of course my idea was that I should appoint ECE officials.”³⁴

It was against the backdrop of this newly established staff of high economic competence that Myrdal tried to make ECE the coordinating body of the large post-war recovery aid that he knew was forthcoming from the United States. He had high level meetings with the governments in Paris, London and Moscow and used his influence in Stockholm, Warsaw and Washington towards the same end.³⁵ It was only after the first report of the Conference of European Economic Cooperation (CEEC)³⁶, in September 1947, was scrapped by the US, that a permanent European body was set up to coordinating the European Recovery Programme.³⁷ The geo-political reasons behind the decision of US, UK and France to set up the CEEC as an organisation rival to the ECE will not be dealt with here³⁸, but it clearly signified the break-up of Europe into two separate political and economic spheres. When it was clear that the all-European approach to economic recovery favoured by Myrdal was no longer accepted and that the ECE would be bypassed, Myrdal tried to elude the geopolitical pressures by giving the ECE two quite different tasks. The first was a facilitating one: to strengthen trade ties among European countries. As a continuation of the so-called E-commissions set up by the Allies in 1945³⁹ (on transport, coal,) all barriers impeding recovery and trade would be addressed on a technical level in order to restore railways, ease bottlenecks and conclude bilateral trade agreements. This was a very difficult task after 1948 at the height of the cold war. The embargo restrictions of the so-called Cocom⁴⁰, was applied to large sectors of the trade between Eastern and Western Europe, at the height in 1952-53. According to a comprehensive study, the proportion amounted to about 40 percent of the pre-war trade.⁴¹ In

³⁴ Kostellecky (1989), p.99. The interview conducted in 1978. The diplomatic corresponding the early recruitment policy is detailed here on pp. 96-100.

³⁵ Örjan Appelqvist, 'A Hidden Duel : Gunnar Myrdal and Dag Hammarskjöld in Economics and International Politics 1935-1955', *Stockholm Working Papers in Economic History*, 2008 :2. Available at <http://www.ekohist.su.se/dokument/pdf/workingpaper/gunnarmyrdal.pdf>

³⁶ The official name of the Paris conference, later to become the Organization of European Economic Cooperation.

³⁷ Milward. Alan. *The Reconstruction of Western Europe 1945–1951.* (Cambridge 1987), pp. 69-89.

³⁸ The arguments of the chief actors on this issue is discussed in Appelqvist, “Rediscovering uncertainty: early attempts at a pan-European postwar recovery”, *Cold War History* 2008, Vol 8:3, pp 327-352.

³⁹ European Central Inland Transport Organization (ECITO), European Coal Organization (ECO) and Emergency Economic Committee for Europe (EECE).

⁴⁰ The Cocom was the 'Coordination Committee', a semi-official coordination between the US State Department and government officials in Western countries establishing list of products considered to be of military implications.

⁴¹ Gunnar Adler-Karlsson, *Western Economic Warfare 1947–1967. A case study in foreign economic policy.* (Stockholm 1968).

spite of this, the network of trade representatives established by the ECE managed to play an important role in promoting intra-European trade. At a pressconference in May 1954 Myrdal prided the ECE of the results of that year's conference: "133 bilateral meetings on trade issues were held between 25 countries... The principal accomplishment of this conference was the fact it had enabled the experts to examine measures that could lead to an increase of east-west exchange in a spirit of mutual comprehension."⁴²

The second was an intellectual one: to provide quarterly surveys reviewing the economic problems of Europe, especially those of the least developed countries. By collecting essential data, and providing necessary analytical skills the ECE staff would be able to exercise influence on the public opinion and – hopefully – on the governments. The first *Economic Survey* was published in early 1948 and it demonstrated the expertise of the ECE staff, in such a way that, according to Milward, it embarrassed the US authorities since it 'was far more professional than the two volume report of the CEEC and constituted a scholarly critique of the bases of American economic policy in Europe'.⁴³

When his close collaborator in wartime Sweden, Dag Hammarskjöld, was elected as General Secretary of the UN in 1953, Myrdal initially had high hopes of a close co-operation that would assert the role of the ECE and what was in Geneva called "the European Centre of the UN". Myrdal was however soon to be deceived; Hammarskjöld knew all too well the misgivings of the US representatives against Myrdal's independent mindedness to risk his own position.⁴⁴ In September 1954 Hammarskjöld's aloofness changed to open disavowal. During the previous ECOSOC-meeting Myrdal had been openly critical against the attempts of the US representatives to curb the attempts of the ECE to maintain the East-West trade relations which had awaked the wrath of the US representatives. They considered his frankness to be beyond the limits of the mandate of a UN bureaucrat. In a subsequent letter to Myrdal, Hammarskjöld agreed with this position and argued that it was dangerous also to him personally: "I have to proceed with caution – also in relation to the friendliest governments – in my efforts to widen and consolidate recognized rights."⁴⁵ In this conflict between the universalist vocation of the UN organisations and the acceptance of prevalent power relations Hammarskjöld sided with the latter. For a second time Myrdal found his avenue of political action curtailed and thus decided not to seek renewal of his mandate at the ECE.

⁴² Quoted from *Le Monde*, May 3rd, 1954. Full reference see note 35.

⁴³ Milward, *The Reconstruction of Western Europe*, p. 84.

⁴⁴ This issue is dealt with in detail in Appelqvist, 'A Hidden Duel'. See note 35..

⁴⁵ Hammarskjöld to Myrdal, "Personal and Confidential", 10 August 1954. Vol. 6.1. 009. 23.1.2.34. *Archives of Gunnar and Alva Myrdal. ARAB (Archives of Labour Movement), Stockholm, Sweden.*

Looking back on his ten years at the ECE Myrdal certainly regarded it as a semidefeat but nevertheless prided himself of the accomplishments of commission on a practical and scientific level.

Prebisch's career on the regional level began in a different mood. At the time when Myrdal organized the headquarters of the ECE, Prebisch had not yet any thoughts of a UN position. According to Prebisch himself he noticed CEPAL's creation in 1948 "with indifference". He was not even interested when approached by members of the French delegation to the United Nations in Buenos Aires (in 1948) to become a candidate for the post of Executive Secretary of CEPAL. As Prebisch explained, "I had seen the League of Nations as a young consultant for the World Economic Conference of 1933 and I say that we [the developing countries] had nothing to do in that atmosphere. We were at the margin"⁴⁶. In late November 1948, ten days after Prebisch's dismissal from the University, representatives from the International Monetary Fund's (IMF) invited him to become part of the IMF staff. Yet, two months later, Prebisch was discarded by Washington.⁴⁷ At that moment, CEPAL's first Executive Secretary, Gustavo Martínez Cabañas, invited Prebisch to come to Santiago to write the introduction to the first Economic Survey of Latin America, which was to be presented at CEPAL's second session, scheduled for Havana from 26 May to 14 June 1950.⁴⁸ Having little time, and with a brand new team, it was a challenge to present a report that had gained strong symbolic value since;

“there was a growing *schadenfreude* among the sceptics in New York who doubted that Latin economists were competent enough to deliver unless supervised by United States and European superiors. Since the Economic Survey was the single most important work of ECOSOC relating to Latin America, it had therefore become a test of Latin American economists themselves. The Economic survey was unique in that Latin Americans themselves were in charge; it was the first major international report on the region to be directed and written by Latin Americans rather than foreign consultants... failure in Havana would confirm New York perception that they were second ratters.”⁴⁹

⁴⁶ Pollock, Kerner & Love, 'Raúl Prebisch on ECLAC's Achievements and Deficiencies, *CEPAL Review*, Nr. 75, December (2001), p. 10.

⁴⁷ Dosman, 'Markets and the State in the Evolution of the 'Prebisch Manifesto', p. 94.

⁴⁸ Dosman, '*The Life and Times of Raúl Prebisch 1901-1986*', p. 238.

⁴⁹ Dosman, 'Markets and the State in the Evolution of the 'Prebisch Manifesto', p. 95.

Dosman⁵⁰ holds that if Prebisch had not agreed to write the report, the UN could have gone outside Latin America, “probably to Sweden’s Gunnar Myrdal, thereby demonstrating to the world the bankruptcy of Latin economists and spelling the certain demise of CEPAL”. But the report provided by Prebisch was not a disappointment.⁵¹ Its reception, including Argentina, was very positive: “words of praise everywhere”⁵².

A reason for the enthusiasm among Latin American governments was that the report offered a rational explanation regarding Latin America’s position in the global system. It presented a diagnosis of its problems, making them more visible and understandable by pointing out the deterioration in the terms of trade. Prebisch’s analysis around this issue had grown out of his own observations as well as those of other Latin American scholars.⁵³ But, the long-term data elaborated since the League of Nations (LN) and the work of Hans Singer⁵⁴ at the UN, was pivotal⁵⁵. It was actually the LN who started publishing the ‘Economic Surveys’ (then called annual ‘World Economic Report’), something that was continued after 1945 by the UN’s Department of Economic Affairs (DEA)⁵⁶. Influenced by the League’s experience, the DEA officers believed that there it was imperative for nations to coordinate their economic policies⁵⁷ and promoted the making of regional economic surveys.⁵⁸

A second reason was that it recommended solutions in the form of rational proposals to overcome the obstacles presented in world trade. Industrialization and more rational policies for import substitution industry (ISI) were recommended. Under Prebisch’s leadership, the Commission’s key policy thesis was that unless governments took corrective action, the existing form of “spontaneous,” ISI would have negative welfare effects. The call for industrialization was not new for Latin Americans that had been found inspiration in the ideas of people as the German Fredrich List, the Romanian economist, Mihail Manoilescu⁵⁹, or the Argentinean (and former teacher of Prebisch) Alejandro Bunge. The difference now was that, inspired by new international insights, Prebisch embraced active government intervention,

⁵⁰ Ibid, pp. 95-6

⁵¹ Raúl Prebisch, *The Economic Development of Latin America and its Principal Problems* (New York: United Nations 1950)

⁵² Pollock et al, ‘Raúl Prebisch on ECLAC’s Achievements and Deficiencies’, p. 11.

⁵³ Toye & Toye, *The UN and Global Political Economy*, p. 116.

⁵⁴ Singer was researcher at the UN’s Department of Economic Affairs (DEA), and an alter ego of Prebisch in the elaboration of the Terms of Trade thesis.

⁵⁵ One of Singer’s sources of influence was the Swedish economist Folke Hilgerdt who as he held: “was the first to tell me about this long-term data source to me and expressed puzzlement about its behaviour”, see Hans Singer, ‘Comments on ‘Raúl Prebisch: The Continuing Quest’. In Enrique Iglesias (ed.). *The Legacy of Raul Prebisch* (1994), p. 48.

⁵⁶ Toye & Toye, *The UN and Global Political Economy*, p. 87.

⁵⁷ Ibid.,p. 66.

⁵⁸ The first one was the ECE’s, published on April 1948.

⁵⁹ Regarding the connection between Prebisch and Manoilescu, see Love 1980, p. 62.

arguing that industrialization had to be planned ('programmed' in CEPAL's language). To speak of programming was new and challenging in connection with the idea of ISI and the need of a regional dimension for such a policy to be efficient.

Hence, a third reason was related to identity and regionalism. With this theme Prebisch and CEPAL were able to reach the hearts and minds of Latin American. The identification of Latin America as a unit was not a politically neutral view. It coincided with new geopolitical positions among certain Latin American countries, such as Brazil and Argentina and touched upon an old nationalist vein that invoked the ideas of Simón Bolívar and the 'continental nationalism'. Neither CEPAL nor Prebisch can be regarded as the instigators of this Latin American nationalism. In fact, both the initiative to create CEPAL, as well as the strength to preserve it came from Latin American governments. This does not in any way diminish Prebisch's contribution, but it places him in the appropriate geopolitical context. It is doubtful that Prebisch would have such an impact without the backing from nationalist, pro integrationist forces.⁶⁰

But the impact of identity cannot be understood without taking into account a fourth element, namely, the role of the UN and its legitimacy. Through CEPAL, the UN represented channel through which Latin Americans could express themselves and thereby influence developments as well as access international currents of thinking. The need for regional integration - recognized at CEPAL's inception - became one of the commission's key themes in the years that followed. From this platform, Prebisch presented to the world an indigenous economic perspective within a single conceptual and policy framework. He did not 'create Latin America', but made a huge contribution by presenting a perspective through which, "Latin Americans were brought together in a tactical sense".⁶¹ Regionalism was now imbedded in a rational analysis which revealed that Latin American industrialization required the development of reciprocal trade in manufactured goods, in addition to trade in raw materials. Partly influenced by the in-house research of the UN, these proposals were also blended with increasingly (globally) dominating ideas regarding government intervention.

Finally, there is a fifth reason. Prebisch's report was also innovative because it provided a systemic perspective in the form of conceptualising the interaction between core and periphery. It highlighted the systemic constraints of the periphery as something more complex than terms of trade issue, laying the basis for a global comprehension of the cyclical process

⁶⁰ Andrés Rivarola Puntigliano, "De CEPAL a ALALC: tres vertientes del pensamiento regionalista en Latinoamérica". Paper presented to the 53o International Conference of Americanists, México D.F., July 18-24, 2009.

⁶¹ Pollock et al, 'Raúl Prebisch on ECLAC's Achievements and Deficiencies, p. 54.

of the international economic system. The development of the periphery could not be dissociated with that of the core, nor vice versa. It was new that an economist from the periphery was offering a systemic view from which he proposed development strategies for his own (peripheral) region.

With the impact of his 1949 report, Prebisch soon became Executive Secretary of CEPAL in 1951, after the UN accepted his conditions of maintaining 'independent thinking'. The 'defiant bureaucrat' had reached a new position from which he would establish another 'island of rationality', this time at a regional level. For more than ten years Prebisch was able to assemble a team working around him in the CEPAL, elaborating conceptual frameworks for development on the national as well as regional scales. The UN acted as a 'protective niche',⁶² but the way was fraught with difficulties just as it had been for Myrdal in the ECE. Prebisch 'was skating on thin ice'⁶³ since he could not escape the geopolitical power relations that were at the base of the system. These relations drastically turned to his disadvantage when the most powerful governments supporting Cepalian policies, were ousted by military coups (Argentina in 1962 and Brazil in 1964). Nevertheless, the ideas he advocated had gained strength on other continents. Although the regional door was closing in Latin America, there appeared a new opportunity. Prebisch was invited to spread his gospel towards a much broader audience, again, through a UN agency: the United Nations Conference on Trade and Development (UNCTAD).

In spite of the different situations in which they started their UN careers Prebisch and Myrdal had one thing in common: they had strong regional visions on development issues. In a way it was also these that lead them both to political impasses.

5. Global thinking and action: Asia and UNCTAD

After the confrontation with Hammarskjöld in 1954, the location of the balance of power within the UN became obvious to Myrdal. Geneva was not the European centre of the UN but rather it's auxiliary. As a consequence Myrdal reoriented his attention to the academic and intellectual field from which he came. Having been invited to be the keynote speaker at the 200th Anniversary of the Columbia University in 1954, he expanded the lectures into a comprehensive analysis of international problems that was published in 1956.⁶⁴

⁶² Hodara, *Prebisch y la CEPAL. Sustancia, Trayectoria y Contexto Institucional*, p. 38.

⁶³ Mallorquín, 'Raúl Prebisch Before the Ice Age', p. 68.

⁶⁴ Gunnar Myrdal, *An International Economy: Problems and Prospects* (New York, 1956)

Myrdal's point of departure here was a contrasting paradox between the tendency among and within 'advanced industrial countries' on the one hand, and the trend on the larger international scene, especially concerning underdeveloped countries on the other. In the former case, the trend was towards national integration and establishing a *welfare society*, in accordance with "the Western world's inherited ideals of liberty and equality". In the latter, however, the trend is going in the opposite direction, towards disintegration and increasing disparities. As in *An American Dilemma* he resorted to a call for morality as a solution: it is only by paving the way for a more equal distribution, for a *welfare world* that the educated opinion in the advanced countries can live up to their ideals of 'liberty and justice'. This is in essence formulated from the standpoint of an economist situated in a core country. The dichotomies used are also revealing. Where Prebisch distinguished between centre and periphery Myrdal's use of the term "underdeveloped countries" showed a value-laden bias: although formulated in universalist terms (Enlightenment values of freedom and equality forming the basis of international integration) it indicated development as a linear process with 'industrially advanced' countries at the top of the ladder. But when approaching the practical problems in overcoming this international paradox the 'core economist' changed his camp: he went south. In his analysis of the predicament of the 'underdeveloped' countries he was clearly influenced by the "the remarkable series of studies"⁶⁵ by Prebisch and his fellow researchers at CEPAL. He specifically singled out Prebisch's repudiation of "the false sense of universality" in the "general economic theory" as a tenet of these nations' spiritual revolt for independence and development.⁶⁶ To avoid 'the false sense of universality' referred to above in discussing the commercial problems of the underdeveloped countries Myrdal proposes to "tackle the subject deliberately from the view point of their own interests".

In the subsequent analysis of the internal development problems of the 'underdeveloped countries' there is a new, strong emphasis on the role of institutions which parallels Prebisch's structural understanding of international economy. Against any mechanistic understanding of market economies, Myrdal developed an institutional explanation for the apparent stability of "welfare economies" in the industrially advanced countries. It was only through the expanded, regulating role of the state, based on egalitarian values, and with the support of strong labour organisations that broad social growth had been possible. But on the international level these countervailing forces were absent. True to his dynamic, Wicksellian understanding of economic processes he criticized the assumptions of comparative advantage of free trade.

⁶⁵ Myrdal, *An International Economy*, p. 222.

⁶⁶ *Ibid*, p.223.

International trade would lead to increasing welfare gaps instead of mutual advantages if left to the influences of technology and investment margins alone. Although critic towards CEPAL's 'narrow industrialization strategy'.⁶⁷ Myrdal highlighted the need for rapid industrialization in developing countries as well as their right to let their developmental needs determine their trade policies. In line with his earlier argument on economic policy in Sweden, he also advocated that radical domestic reforms, above all land reform, will be just as necessary as changes in the trade relations. Myrdal clearly spelled out that these reforms would be hard to accomplish since 'modernizers' in the state would meet resistance from landed interests as well as 'economic enclaves' benefiting from actual trade relations.

According to Myrdal the world's hope for a peaceful solution of the economic and social problems, triggered by the gross inequalities, depended on two interrelated changes: firstly "that the underprivileged nations succeed in joining forces effectively", secondly "as the present power vacuum is thus filled a greater equality of opportunity is brought about".⁶⁸ For all his moral appeal to the liberalism of the 'Western world' his main hope for change resided in the growing solidarity between the under-developed countries.

It was in the hope of stimulating these endeavours that he subsequently worked. In 1956, at the height of Egyptian nationalism and the emergence of the Movement of Non-Aligned Nations he was invited to Cairo to hold a series of conferences, papers from which he later published in a book entitled *Economic Theory and under-developed regions*.⁶⁹ In this book he gave a large place to a frontal attack on the Heckscher-Ohlin trade theorem on factor price equalization, arguing for a broader framework of the analysis: "To define a certain set of phenomena as the 'economic factors' while keeping other factors outside the analysis is a procedure closely related to the stable equilibrium approach. For it is precisely in the realm of those 'noneconomic factors', which the theory usually takes as given and static that the equilibrium approach is most unrealistic and where instead circular causation is the rule".⁷⁰ In Myrdal's own view there was a "circular and cumulative causation" pushing towards greater inequalities within countries as well as between them: "the main idea I want to convey is that the play of the forces of the market normally tends to increase rather than decrease the inequalities between regions"⁷¹ In this analysis he expressly drew upon the research of the

⁶⁷ Ibid., p.228.

⁶⁸ Ibid., p. 319.

⁶⁹ *Economic Theory and under-developed Regions* (Duckworth, London, 1957). Published in the US as *Rich Lands and Poor* (Haper&Row, 1957).

⁷⁰ Ibid., p. 157

⁷¹ Idib, p24.

ECE, notably drawing two conclusions: “the first one is that in Western Europe disparities of income between one region and another are much wider in the poorer countries than in the richer ones...The second conclusion is that while the regional inequalities have been diminishing in the richer countries of Western Europe the tendency has been the opposite in the poorer ones.”⁷²

The reason why the ‘unrealistic’ assumptions of free trade benefits still dominated was of an ideological order: “The equilibrium approach, with its strong ideological connotations, comes in then as convenient and opportune. For while a realistic approach, recognizing the predominance in social developments of circular causation having cumulative effects, gives arguments for central planning of economic development in an underdeveloped country and large-scale state interferences, the equilibrium approach, because of the inherited ideological connotations, lead to laissez-faire conclusions”.⁷³ But these condition was soon to change, as he hoped: “The changed situation in the world...and the appearance on the stage of the learned discourse of a host of new participants from nations which have until recently been kept passively submissive and mute are bound to represent the beginning of a revolution also in the social sciences, widening our horizon and radically redirecting our thinking. Out of this mighty process should also emerge a more realistic and relevant economic theory.”⁷⁴ Following the same path in 1957, he embarked on a large research endeavour on India and other South Asian countries, which culminated in the publication of *Asian Drama* 1968. The awakening among the Non-Aligned countries had thus a profound effect on Myrdal’s thinking and research interest.

Prebisch’s entry on the scene as a global thinker was likewise a result of these processes in the ‘periphery’, to use his own terminology. By the early 1960s, the impact of decolonialization was being felt through the new leverage of the so called ‘developing’ countries at the UN’s General Assembly, where they engaged in forging new and higher levels of global solidarity. In July 1962, a Conference on Problems of Developing Countries was held in Cairo, which marked a first joint initiative of countries from all three regional groups: Asia, Africa and Latin America. The ‘Cairo declaration’ called for an international conference on “all vital questions relating to international trade, primary commodity trade and economic relations between developing and developed countries” within the framework of the

⁷² Ibid, p.26. There is an explicit reference to Ingvar Svennilson, *Growth and Stagnation in the European Economy* (UNECE, Geneva, 1954)

⁷³ Ibid.,p.159

⁷⁴ Ibid., p.162

UN.⁷⁵ That claim was brought to the UN, where an ECOSOC resolution (on August 1962) supported the convening of a UN Conference on Trade and Development (UNCTAD). It could be considered as an attempt to resume the close tie between trade and development contained in the International Trade Organisation (ITO) charter, a connection left defunct but not forgotten.

This period corresponded with a more open line of action of the US in relation to the developing countries⁷⁶. However, after Kennedy's assassination on November 1963, this 'soft' attitude changed to a tough one, following the polarization brought about by the Cold War. But even if US hard-liners and their local allies could repress nationalism and non-alignment in Latin America, they could not stop the reality of the growing North-South debate and the Third World raising its voice. At the instigation of Brazil, Argentina, and Yugoslavia Prebisch agreed to allow his name to be put forward for the post of its secretary-general, and was accepted for the job. The first UN Conference on Trade and Development was held in Geneva from 23 March to 16 June 1964. According to Toye & Toye⁷⁷, the establishment of UNCTAD went beyond that of having a group of defiant bureaucrats in the UN: it was nothing less than the attempt to institutionalize 'defiant bureaucracy'. After his initial reluctance to enter CEPAL, Prebisch understood that UN could actually be an arena where weaker countries/regions could come out of the margin.

Marked by Prebisch, the original UNCTAD program was that of CEPAL extended to the global level. According to pundits⁷⁸, Prebisch's reports to the two UNCTAD conferences of 1964 and 1968 contained the theses familiar to all those acquainted with CEPAL: that the world was divided into 'centres' and 'peripheries' and that the secular deterioration of the terms of trade of agriculture and mineral exporters was a fact. Following the evolution of ideas formerly expressed in Latin America, Prebisch openly recognized the limits of ISI, but he now insisted on an Export Substitution Industry (ESI) orientation. That is, a policy directed towards the replacement of traditional commodity exports with manufactures of semi-manufactures. Another new element from this international arena was an appeal for a Generalized System of Preferences (GSP) whereby the industrialized countries would make tariff and other trade concessions to low-income countries for their new industrial products, without requiring reciprocity⁷⁹.

⁷⁵ Toye & Toye *The UN and Global Political Economy*, p. 187.

⁷⁶ Also another reason that contributed to the creation of the Latin American Free trade Association (LAFTA).

⁷⁷ Toye & Toye *The UN and Global Political Economy*. p. 212

⁷⁸ Pollock et al, 'Raúl Prebisch on ECLAC's Achievements and Deficiencies, p. 38.

⁷⁹ *Ibid.*, p. 39.

From the UNCTAD platform Prebisch became an ‘itinerant preacher’, spreading the UNCTAD message of asymmetric exchange, denouncing the increasing ‘trade gap’, and pleading for concessionary financing and export-substitution industrialization to Africa, Asia and Latin America. Prebisch truly believed in multilateralism and consensus building as the foundation for what he referred to as a ‘new international economic order’ (NIEO)⁸⁰, but he never harboured illusions about the organization’s assuming the functions of the IMF or the World Bank. Rather, he expected UNCTAD to continually generate new ideas and to critique the conditionality in IMF and World Bank lending operations⁸¹. As CEPAL was for Latin American countries, UNCTAD was now used to bring the G77-countries into one room and provide a tactical forum for the North-South Dialogue. Indeed the creation of the G 77 – group as a bargaining force is largely due to the UNCTAD forum.⁸² Prebisch indeed understood the power of ideas and had learned how to use the new international tools at hand. As he explained; “In UNCTAD, as well as in CEPAL, I broke the monopoly of the UN Administration”⁸³.

To a large extent this ‘monopoly’ reflected the hurdles that Myrdal had confronted at the ECE. The UN Headquarters in New York were always more influenced by the policies of the US administration than the UN’s regional offices. The concessions in policy areas that Prebisch managed to obtain were however limited and he became increasingly frustrated over what he regarded as scarce results. The developed countries were not interested in giving out positions to the ‘Third World’, a group of countries too weak and divided to make an effective opposition. To the Second Conference of UNCTAD in 1968 Prebisch proposed a program of considerably more active commodity policies, raising their price levels. When this was rejected and diluted Prebisch resigned from the organization. Myrdal shared Prebisch’s deep deception of the fate of UNCTAD. In 1968, he characterized the UNCTAD-meeting in 1968 as “almost a complete failure”⁸⁴ quoting Prebisch’s speech on “the lack of political will” of the dominating countries. Arguing the need of “regional cooperation with joint planning”, he blamed the failure on the splits between the underdeveloped countries, their inability to unite, as well as on the refusal of industrially advanced countries to offer concessions, be it on commodity prices or on those of, agricultural and manufactured products: “The majority of

⁸⁰ Dosman, *The Life and Times of Raúl Prebisch 1901-1986*. p. 429

⁸¹ Pollock et al, ‘Raúl Prebisch on ECLAC’s Achievements and Deficiencies, p. 42

⁸² *The history of UNCTAD 1964-1984* (New York, 1984.)

⁸³ Pollock, Kerner & Love, ‘Raúl Prebisch on ECLAC’s Achievements and Deficiencies, p. 569.

⁸⁴ Gunnar Myrdal, *The Challenge of World Poverty*, (New York, 1969).

the developed countries, with the United States in the lead, is now intent on putting UNCTAD on ice”.⁸⁵

8. Taking stock : personal differences

The conclusions Myrdal and Prebisch drew from this failure were rather different. Myrdal had then been engaged for ten years with the development problems of South Asia. True to his own conviction of the need of broad social analyses of the development problem with *Asian Drama* he produced an extremely rich survey of demographic, cultural and social factors that had to be taken into account – but this also made problems of trade theory to recede into the background. In this analysis, he sought to apply his *Enlightenment* value premises of modernisation to India, which turned out to be highly problematic. In his analyses of Swedish and US economies he saw the state as a catalyst in the modernisation and development processes, but in India it was obvious that the state was far from this Weberian model. By the concept of ‘the soft state’ he tried to capture the effects of widespread corruption and inefficiency. This deficiency made him think of development more as a long-term evolution dependent on reforms in the education system, birth control and agrarian reforms.

In the political sequel to *Asian Drama*, *The Challenge of World Poverty* it was even more clear that he had left the broad structural approach developed in his Cairo lectures.⁸⁶ It was as least as much inspired by mainstream liberal discussions in the US underpinning President Lyndon B. Johnson’s “unconditional war on poverty” in 1964 as with his Asian study. Questions on how to address the “circular and cumulative causation towards growing international inequalities” gave way to a focus on social policies to combat poverty. Here he addressed the problem from the normative angle of human equality, advancing the need of development aid as a central means to deal with the issue. The actors that are brought to the fore in such a discussion are no longer the economists and politicians in the ‘underdeveloped’ countries, but the governments in the North, capable of providing such assistance: “It is my firm conviction that only by appealing to peoples’ moral feelings will it be possible to create the popular basis for increasing aid to underdeveloped countries as substantially as is needed.”⁸⁷ Referring to “the almost boundless generosity” of the US towards West Europeans

⁸⁵ Ibid., p. 309.

⁸⁶ As noted earlier this structural aspect was always a weak link in Myrdal’s analysis: The dichotomies he used (rich /poor countries, advanced/backward, developed/underdeveloped) glossed over the structural link between the different development processes.

⁸⁷ *The Challenge of World Poverty* (Allen Lane, London,1970), p. 368.

after WW II he is calling for “something like a Marshall Plan for the under-developed world”.⁸⁸

Still more important was his disillusionment with intergovernmental organisations capacity to foster economic cooperation. The “failure of international cooperation” was a recurrent theme in his lectures in the seventies.⁸⁹ Noting the lively activity to create inter-governmental organisations for international cooperation he concludes:”They have generally failed to accomplish much”. His disappointment with the splits between the underdeveloped countries has already been evoked. But even when they did unite, as they did with their demand for a New International Economic Order at the Special Assembly of the UN in 1974, Myrdal wasn’t very hopeful. He saw nothing new in its demands and judged it to have a history not unlike that of UNCTAD.⁹⁰ That is “almost a complete failure”. This is a long way from his call on young economists in the under-developed countries to “produce new and different theoretical frames for social and economic research”.⁹¹

Prebisch did not so easily give up hope in the force of the multilateral system. According to Bielschowsky⁹², Prebisch was still cautiously optimistic about the possibilities of attaining the support from the central countries for concerted international intervention to reduce the vulnerability of the countries in the periphery. On the occasion of the tenth anniversary of the UNCTAD in 1974 Prebisch defended the heritage of UNCTAD as “a fundamental milestone in the relation between governments within the United Nations system” and proclaimed to “strongly believe that the role of UNCTAD can and must become progressively more important as the time passes.”⁹³

Indeed, he was an incorrigible optimist despite the fact that his later research work as Chief Editor of the journal *CEPAL Review* (his last position at CEPAL) took him to a critical stand regarding the world system. It was during this period that his systemic idea took a more robust form through the publications of several articles that later on were published in a book.⁹⁴ According to Prebisch, the dominating model promoted an ‘imitative capitalism’ among periphery countries. Such form of ‘peripheral capitalism’ was sustained by elites (including the middle class) encouraging a consumption of technologically advanced products

⁸⁸ Ibidem, p. 337, 342.

⁸⁹ “Increasing Inter-dependence Between States but Failure of International Cooperation”, Felix Neuberg Lecture 1977, quoted in *Essential Gunnar Myrdal*, pp. 194-200.

⁹⁰ “The need for Reforms in Under-Developed Countries”, *Peace Studies* (Seoul, Kyung Hee University Press, 1981), quoted in *Essential Gunnar Myrdal*, p.210.

⁹¹ Gunnar Myrdal, *Economic Theory and Underdeveloped Regions* ((Harper, New York, 1971), p.104.

⁹² Ricardo Bielschowsky (ed), *Cinquenta anos de pensamento na CEPAL* (Cofecon, Rio de Janeiro, 2000), p. 48.

⁹³ *UNCTAD. Tenth Anniversary Journal* (United Nations, New York, 1974), p.8.

⁹⁴ Raúl Prebisch, *Capitalismo Periférico. Crisis y transformación* (México DF, 1981)

from core countries. When the national industry could take up competition with those products, new ones were introduced into the market in a rapid and expensive quest for new innovations and market shares.⁹⁵ Prebisch paid notice on how the periphery, adopted technologies, life-styles, followed ideas and ideologies as well as reproduced institutions from the core.⁹⁶ But concluded that “the result was a continuous weakening of the reproductive accumulation of the periphery”.⁹⁷

In spite of his criticism, Prebisch was not anti-systemic. Still, although, he had rejected revolutionary radicalism throughout his whole life, his thesis was regarded as radical. His conceptual framework of ‘core and periphery’ had become a powerful tool to understand the “dynamics of the system”, its asymmetries and shifting power relations. The most challenging element was perhaps that, since problems had structural reasons, the solutions also needed structural measures. Even if some argue that his organisational projects and theoretical ideas failed, reality points somewhere else, in Latin America and elsewhere.⁹⁸ Prebisch is part of the ‘creation’ of Latin America where one now can see a constant strengthening of his vision regarding integration processes linked to industrialization and linked to the international system. This goes in tandem with strong voices demanding systemic changes. Nowadays, these views are not depending so much on a UN commission since they are deeply imbedded at commanding heights of states that coordinate their calls through increasingly influential regional organisations.

Prebisch’s theoretical perspective and, perhaps, also his attachment to the end of the regional entity continued to see him as the intellectual leader marked a difference between with Myrdal. Yet, both still shared the conviction on the need of ‘global’ perspectives and that solutions, structural or particular, needed an ethical dimension. In Prebisch’s case, he “rejected the belief that the New International Economic Order – which all governments supported publicly – could ever be achieved without a domestic ethical impulse”.⁹⁹ In his view, neo-classical theories (at least regarding the international system, also John Maynard Keynes) ignored the role of structural social and power relations, and their negative effect on periphery states. In his view, to break with these, national and international systems need a

⁹⁵ Raúl Prebisch, ‘A Critique of Peripheral Capitalism’, *CEPAL Review*, First half of 1976, pp. 9-76, p. 24-25.

⁹⁶ Raúl Prebisch, ‘Five Stages in my Thinking on Development’, p.184.

⁹⁷ Raúl Prebisch, *La Crisis del Desarrollo Argentino. De la Frustración al Crecimiento Vigoroso* (Buenos Aires, 1986), p. 49.

⁹⁸ Alice H. Amsden, “Import Substitution in High-Tech Industries: Prebisch Lives in Asia!”, *CEPAL Review*, 2004, 82:75-89.

⁹⁹ Dosman, ‘*The Life and Times of Raúl Prebisch 1901-1986*’. p. 479.

‘distributive ethics’ that lead to more balanced measures in order to incorporate the peripheral parts.¹⁰⁰

As is held by Dosman in his valuable biography, Prebisch insisted in “equitable distribution, vigorous economic growth and new institutional patterns in a genuinely participatory democracy” as major objectives.¹⁰¹ The UN was a major vehicle for voicing out his view.

9. Conclusions

Raúl Prebisch and Gunnar Myrdal were influenced by their early life experiences in their native countries. The history and the economic challenges of Argentina and Sweden conditioned their international outlook and activity in the transnational network where they later on came to belong. But entering the UN institutions also had a profound impact on them. To write their intellectual history without taking into account the interplay between their ideas and the setting of the ECE and the CEPAL would be as incomplete as portraying the development of these organisations without the particular role these two individuals played in moulding their respective agendas.

Prebisch brought from his national experience his concerns regarding Argentina’s development problems, linked to the issue of international trade and declining terms of trade. From the regional scope of CEPAL he later on expanded this perspective towards a regional level, in the context of a systemic frame which he used during his period at UNCTAD. In his mind, Argentina shared problems with its region and the region with those of the periphery as a whole. The search for improved trade conditions for the periphery, increasing state involvement and programming were identified as key elements for development. Likewise, Myrdal’s ideas on international economy were shaped by his national background, coming from a small industrialized country in the core. But his later intellectual evolution on development issues was to a large extent an emanation of his experiences as head of a UN institution. What initially had been merely a corollary to the anti-depression economic policies advocated for the industrialized countries, evolved later on into an assertion of the right of ‘the underdeveloped’ countries to search for an independent way towards economic development; formulated in opposition to prevailing policies in the industrial countries.

The support that Myrdal and Prebisch attracted at the regional commissions was in large measure a result of their attachment to national perspectives. These became linked to regional forces committed to break up the post-war superpower hegemony, with the goal of creating

¹⁰⁰ Raúl Prebisch, *Capitalismo Periférico* (México: Fondo de Cultura Económica, 1981).

¹⁰¹ Prebisch quoted in Dosman, *The Life and Times of Raúl Prebisch 1901-1986*, p. 488.

independent economic and foreign policies. But Myrdal and Prebisch were not localists, their positions were tightly linked to universalist liberal ideals. By framing regional concerns in universal terms they were giving their regions a voice as equal participants on the world arena. From this point of view, one should not be surprised with their ability to become ‘institutional nodes’, linking national, regional and global ideas, norms and organisations.

Prebisch and Myrdal helped to shape the outlook of the organisations in which they were part, but the UN-system also influenced the way in which the ideas of these ‘pioneers on development’ were created. By the mere fact of their vantage points, CEPAL and ECE pushed them to focus on issues of regional development, world trade and global inequalities. Furthermore, the geopolitical reality in which these organisations were immersed, transformed them into ‘defiant bureaucrats’. Despite the formally identical role of ECE and CEPAL within the UN system, their practices differed because of their geopolitical location: it conditioned their role in the global power game. By the end of WW II, most of Europe had also become peripheral to the new superpowers. With the onset of the Cold War, ECE’s vision of an all-European regionalism was thwarted, and so was CEPAL’s vision of a common Latin American market. None of the big powers (in this case particularly the US) was interested in a more united and independent region. Yet, while Latin America became more peripheral as ever before, Europe became divided and the pro-US part of Europe was rapidly rebuilt and incorporated to the “Western core”; including Sweden. These geopolitical differences did also mark the outlook of Myrdal and Prebisch. Continuing the search for causes of the backwardness of his region, Prebisch deepened his structural analysis approach expanding the core/periphery analysis from trade relations to its effects (and need for changes) on social structures; both at core and periphery. Firmly rooted in his ‘peripheral’ horizon it was natural for Prebisch to stress the systemic roadblocks that prevented the development. Myrdal went the opposite direction, gradually leaving structural issues to focus on poverty problems. In his later reflections, he even turned to a moralistic view, with clear overtones of ‘core’ value premises, stressing the need for ‘aid’ to ‘under-developed’ countries. This divergence between the ‘periphery’ and the ‘core’ economist was not fortuitous. While Prebisch was firmly rooted in Latin American realities Myrdal had no regional destiny to return to. Any all-European regionalism was still blocked by the Cold War divide. The ‘half-American’ returned instead to the message contained in *An American Dilemma*: racial inequalities in the US had been a challenge to its leading elites to live up to their own ideas, the morals of the ‘American Creed’ enshrined in the US constitution. Likewise the problem of ‘under-development’ was not (only) a problem about the underdeveloped countries, it was also about a failure of the world’s

leading nations to live up to the morals of the UN Charter, the international version of the ‘American Creed’. It was thus above all a struggle of ideas: focussing on the ideals of human equality contained in the UN Charter and arousing the world opinion to combat poverty by increasing aid flows.

Beyond these differences Prebisch and Myrdal share a common legacy. In spite the fact that ‘universalism is a ‘gift’ of the powerful to the weak’¹⁰², they insisted on thinking big and with independence in order to create an own worldview for their countries and regions. Prebisch said that he was “impartial but never neutral”¹⁰³, and the same could be said about Myrdal. Both shared the conviction that the ‘development problem’ in essence was a moral issue in the heart of well-off economic groups at core and periphery that failed to live up to liberal values they proclaimed was theirs. Although it might have become old fashion, recalling these ‘defiant bureaucrats’ brings back a call to action and ethical integrity which resonates with greater urgency in the new era of globalization.

This article has intended to show how two development intellectuals were able to become “institutional nodes” of great importance in the building phases of UN organizations, the ECE and the CEPAL. Particularly in respect to the regional organizations, where defiant bureaucrats such as Prebisch and Myrdal managed to link local (national) values and interests, with international institutions and a systemic outlook. At the regional institutional environment it was more evident that ‘defiant’ was not only a matter of intellectual work and new theoretical perspectives. Institution and actors where here more pervaded by a geopolitical framework that expressed demands from peripheral areas. In this way, the ‘defiant bureaucrats’ and the regional entities became transmission belts for geopolitical demands from countries with a weaker voice at the international level.

Hall’s view on the role of ideas, as well as the relations between institutional environments and organizations has been a theoretical framework of this study. Yet, the analysis of Myrdal and Prebisch do also reveal a shortcoming of these perspectives. The ‘defiant bureaucrats’ are to a large extent dependent on an epistemic community to refer to, particularly if they are intellectuals. This is our explanation to why Prebisch and Myrdal drew so different conclusions from their disillusionment with the UN institutions. Prebisch’s strong regional base among central Latin American governments helped him to continue his bureaucratic carrier in the UN, but also to the end in CEPAL. Integration and autonomy has

¹⁰² Immanuel Wallerstein, *Geopolitics and Geoculture. Essays on the Changing World-System* (Cambridge, 1991), p. 216.

¹⁰³ Pollock, ‘Raúl Prebisch: The Essence of Leadership’, p. 18.

always remained a central and increasingly important theme. Myrdal, on the other hand, lost his 'institutional home' at ECE and had to rely more on the moral call upon western public opinion, on the (self-interested) benevolence of the rich countries to pave the way for a more egalitarian world.

We have throughout characterized Raúl Prebisch and Gunnar Myrdal as “defiant bureaucrats” grappling with power politics with international institutions while trying to develop the universalist liberal ideas contained in the UN Charter. Finishing on a more open-ended question one might ask: What would be the space for 'defiant bureaucrats' of today? One good example is the former chief economist of the World Bank Joseph Stiglitz. From being part of a mainstream discussion he grew increasingly critical about the analyses and prescriptions of the so called, “Washington Consensus”. It soon became obvious that the World Bank could not harbor such an open dissension within its ranks and Stiglitz resigned from his position in an open conflict. If this example is anything to go by it would indeed seem that prospects for defiant bureau rats are extremely bleak. It should be noted, however, that the situation might be otherwise in the formative phases of new organizations. Myrdal and Prebisch were the first Executive Secretaries of the ECE and the CEPAL and it was by molding them according to their own visions that they established themselves as institutional nodes. But, most important, in the present situation of restructure of global geopolitics and renewed strength of countries in Asia, South America and Africa, one can already see that former 'developing' countries – individually and as regional entities- are gaining influence over traditionally 'core' entities such as the IMF. This might create more room for new outlooks of “defiant bureaucrats”.