

# 11<sup>th</sup> RAÚL PREBISCH LECTURE

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## STATEMENT BY

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### The Globalization of Raúl Prebisch



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*"So I had to begin my working life as an economist in a major world slump and now, quite late in life, I am witnessing another crisis of capitalism. What has happened in between? The developed countries have had a long period of prosperity, of extraordinary growth rates such as never occurred before in the history of capitalism. And undoubtedly the developing countries were able to take advantage of these extraordinary growth rates in the centres and begin industrial exports, some of them with considerable success. This was beneficial but accompanied by very adverse consequences."*

Those words were spoken by Raúl Prebisch in Geneva on 6 July 1982, in the first of a series of lectures held by UNCTAD in his honour, which bear his name. A few months later, the problems of the developed countries were to unleash Latin America's external debt crisis.

If he were with us today, Prebisch would have to add another world crisis to those he witnessed and took part in throughout his long career, a crisis which has had painful consequences for his native country. Having begun his working life during the Great Depression, which was to be followed by the experience of World War II, he was to die before Latin America succeeded in emerging from its debt crisis and the Lost Decade. In this sense, his life was that of an intellectual and a man of action who lived out intensively the uncertainty and crisis that characterized the 20th century.

It is partially for that reason that I wanted to call my lecture "*The Globalization of Raúl Prebisch*", if it were not pretentious to give so grand a name to a few topical comments. I use the term globalization with two meanings: First, to describe Prebisch's personal and intellectual progression towards an increasingly universal dimension: from Argentina to Latin America and from Latin America to the économie-monde system as a whole. Second, to suggest that one of the best ways of remembering this great Latin American is to try to imagine what globalization would be like had it followed his design and intentions, rather than as it has turned out to be, generating and provoking a growing protest movement that most recently found expression in Genoa.

From the standpoint of his personal career, it is not hard to observe that globalization was the natural outcome of a form of thought and action which came up against the reality of

Argentina, the Latin American country which was probably the best integrated into the international division of labour to emerge from the first great globalization process of 1880-1920 and which was to reap the greatest profits from that process but which - nevertheless and perhaps for that very reason - was the most harshly and lastingly affected by its collapse.

It was logical and natural that, after seeing how his confidence in neoclassical economic doctrines waned in daily contact with the complex reality of the Great Depression, the former director of the Central Bank should feel drawn to the broader problem of Latin American development, in which Argentina served as a linchpin. Like other thinkers before him -- and here I would like to mention the great Brazilian Marxist historian Caio Prado Júnior -- he soon realized that the problems experienced by his country and by the other countries of the continent were closely related to the nature of the links that bound them to the world economy, which were in many cases inherited from the colonial past and were further reinforced in the period following independence.

As the experience of Argentina has shown, what matters most with integration is not so much the degree, intensity or quantity of the linkage, but its quality. And if I may be allowed to cite the case of my own country, I might recall that Brazil, which took its name from a commodity or merchandise that dominated its first economic cycle, has for 350 years been perfectly integrated within the world trade system. What more perfect and complete integration with world trade could there be than that of an economy which exported practically the whole of its sugar and coffee crops? Yet that same process, which bound us to the world, led to internal disintegration, because it was based on a combination of slavery and latifundia, the plantation system.

Examples of that kind induced Prebisch to put together the building blocks of an original theory of development, ranging from the centre-periphery dichotomy to the need for industrialization and for the incorporation of technological progress. His theory was contemporary with that of Fernand Braudel, whose own major theoretical construct attempted to give an account of the history of the *économie-monde* in its entirety and of its development through secular cycles.

Like the French historian, the Argentine economist never allowed his contemplation of the trees to prevent him from seeing the wood, and he always showed a greater preference for long-term trends and for the pattern of events detached from their immediate context. Braudel once compared events to the glow-worms of Brazil's tropical nights: they shine but they do not light the way. Prebisch was also attracted by the whole picture and by what was essential and long-lasting. It is hardly surprising, then, that his reflection on Latin America should inevitably lead him to extend his gaze once his analysis of the external determinants and limitations of development made it apparent that no solution would be effective unless it succeeded in changing those global conditions.

The "great adventure" that was the founding of UNCTAD appears in this light as the frustrated culmination of his career -- an adventure that was magnificent and full of hope in a utopian era when all dreams appeared attainable. It should not be forgotten that the 1960s, or at any rate the earlier part thereof, coincided in Latin America with the peak of a cycle of economic and democratic expansion, under the guidance of presidents who in many countries were reformist and progressive. It was the first cycle of illusion, of apparently irreversible economic and social progress enshrined in such initiatives as the Alliance for Progress, the establishment of the IDB, the signing of the first Montevideo treaty and the launching of LAFTA. They were also the unparalleled years of the start of the Cuban Revolution. In the spiritual world, after the ecumenical renaissance introduced by Pope John XXIII, they were the years in which Pope Paul VI could refer to development as "the new name for peace".

They were also years of cultural upheaval, of profound changes in lifestyle brought about by rock music, the sexual revolution, militant feminism, the counter-culture, hippie communes and resistance to societal pressure on the individual. It all culminated in the student movements of May 1968, under the banner of such slogans as "be realistic: demand the impossible", based on the conviction that what was needed was not only to change one's life (individual) but also to change life (collective) -- that is, the very nature of life in society.

The year 1964, when UNCTAD was founded, was also the year that Herbert Marcuse's "Unidimensional Man" was published in the United States, as an "essay on the ideology of advanced industrial society", which was to have so much influence on the students of the generation of '68. In the closed society described by Marcuse, where reductionism restricts all dimensions of human existence to productivity, man runs the risk of losing all his critical capacity of analysis and rejection, of selection and choice -- his chance of being a protagonist in the "great questioning" - or in Marcuse's words, "the Great Refusal". Philosophers and scientists tend to adopt an uncritical attitude of passivity and resignation in the face of what Emmanuel Mounier described as "established disorder". Thought is limited to what is particular to one person, which confirms Hobbes' assertion that "we must prefer the present, defend it and consider it as the best there is". This may sound familiar, my friends; does it remind you of *la pensée unique* (a single system of values)? Any similarity is more than coincidental.

Prebisch was to react strongly against all that and was to experience what the Brazilian national anthem called an "intense dream": the hope that all States -- those "cold monsters of egoism", as de Gaulle called them -- would agree in the name of interdependence and mutual interest to negotiate formally a "new international economic order".

As a foretaste of the leaden years of the following decade, the 1960s were also years of confrontation and radicalization. Forty years ago, the decade opened symbolically with the building of the Berlin Wall, the Berlin crisis and the Cuban missile crisis, and ended with the escalation of the Viet Nam war and the Têt offensive. In the intervening years, there was the 1964 military takeover in Brazil, ushering in a cycle of military dictatorships throughout Latin America, the intervention in the Dominican Republic, the first sparks of guerrilla warfare in Central America, the Colonels' coup in Greece, the coup in Algeria, Sukarno's bloody succession in Indonesia, and the emblematic death of Ernesto "Che" Guevara in Bolivia. In international affairs -- which, like social affairs in general, are invariably a mixture of conflict and cooperation - the former was stressed to the detriment of the latter. As always happens in such cases, power once again played a central and decisive role; it was not in the interest of the era's authorities any more than it is in the interest of today's leaders to back the changes that Prebisch was calling for.

Don Raúl then went back to Latin America -- the hearth or "forge" from whence he had started -- and spent the last years of his life in the heyday of the neo-conservative offensive of Reagan and Thatcher, the beginning of market triumphalism and globalization. He was to die a few years before the fall of the Berlin Wall and the apparent end not only of history but of any sort of alternative to the closed society model, and the apparent end, amongst others, of original theories of development. It is true that Prebisch's ideas continued to gain ground and in their authentic version to inspire other countries and regions, especially in Asia, unaffected by the imperfect comportment of Latin American Governments and ruling circles. Just as Christianity was to triumph in Greece and Rome, and not in its native Palestine, and just as Buddhism never met with the same success in India as in Tibet or Japan, Prebisch's message was better received in Asian countries than in his own backyard. This message was in favour of competitive industrialization based on the export of manufactures; the progressive and growing dominance of technological progress and its full incorporation as a factor conducive to qualitative competitiveness; and the fundamental responsibility of individual countries for

their national development and their willingness to accept sacrifices and discipline, resist the conspicuous consumerism of the rich, promote domestic savings, redistribute profits, combat poverty and give wholehearted support to education. Like others before him, such as Celso Furtado -- a shining model of integrity and coherence whom I profoundly admire and respect -- Prebisch suffered the fate of the prophet who is listened to more readily in foreign lands than in his own.

The international trade organization with supranational powers that Prebisch had envisaged finally saw the light of day just halfway through the 1990s, and its foundation also signals the culmination of the first phase of this latest globalization and the beginning of monetary and financial crises, whose growing frequency was to expose the mortality and vulnerability of globalization, as with all products of human culture and history. It is still not the multilateral system that Prebisch hoped for, considering that it was born under the shadow of the original sins of its predecessor, the GATT, in the form amongst others of the almost total exclusion of agriculture, textiles and clothing, the continuation of high tariffs on so-called sensitive products, tariff escalation and unequal treatment of industrial and agricultural subsidies.

The effort to set up a more balanced trade system was to become one of Prebisch's main lines of action in UNCTAD. Despite undeniable achievements, such as the establishment of the Generalized System of Preferences (GSP), there was little progress towards special treatment that would recognize the differences of economic structure between advanced and developing countries, towards obtaining minimum stability for the prices of commodities or towards any substantial alleviation of the worsening terms of trade. This is only to mention just some the objectives of what at one time was referred to as the creation of a new international economic order.

The new globalization order is beginning to take shape, but it does not resemble the one dreamt up by Prebisch; in fact this new order is in many ways its exact opposite. It is precisely in opposition to this type of globalized economic order that we are now witnessing a reaction expressed not only in books, essays, articles and seminars, but also and perhaps mainly in the streets and public squares of Seattle, Washington, Prague, Davos and Genoa. It is interesting to note that this movement of intellectual protest and direct action is very different in its origins from the late 1940s and 1950s movement in which Prebisch played a leading role. At that time, a substantial part of intellectual criticism of the organization of the international economy came from Latin America, and was basically inspired by the thinking of Raúl Prebisch and his collaborators. Nowadays, by contrast, practically everything that is published in terms of critical analysis of globalization originates in England, the United States or France -- that is, in what Don Raúl would call "the centres". Could it be a consequence of the broader and more direct experience of globalization acquired by central countries? I really cannot offer a definitive answer, but whatever the explanation, there is no disregarding the fact that at least a considerable proportion of the arguments in favour of equity and justice put forward by some if not all of the sectors of the anti-globalization movement in fact originate in the ideas advanced by Prebisch.

In the present circumstances, and faced with the danger of extremism and violence to which they may lead, one wonders whether the selfish resistance to Prebisch's message in his time did not pave the way for the danger of radicalization we are experiencing today. In 1870, more than a century ago, a great Brazilian statesman, Senator Nabuco de Araujo, addressed the Senate on slavery in these terms:

"Gentlemen, this is an extremely serious matter. It is the greatest problem facing Brazilian society and it would be dangerous to leave it exposed to the vagaries of chance (...). Political affairs depend primarily and above all on knowing how to exploit the right opportunity at the

right time. Reforms, even if few in number, are worth a great deal at the right time, but if the opportunity is missed they will prove insufficient, even if they are numerous and great".

I should like to conclude as I began, by quoting Prebisch's own words. At that 1982 UNCTAD conference, commenting on the effect of recession in Latin America, he said:

*"Those years of the great slump saw the beginning in Latin America of a movement of intellectual emancipation which consisted of taking a critical look at the theories of the centres, not in an attitude of intellectual arrogance -- these theories have great merit -- but with the realization that they deserved critical study. I must say that the United Nations played a big part in this critical inquiry which led us to seek our own path towards development instead of copying others; to ponder the realities of the situation and to try to meet the economic, social and moral requirements of development -- the path of equity."*

And he went on:

*"Despite huge obstacles we were making progress, but when those great years of prosperity arrived and we allowed ourselves to be blinded by the centres, the search for our own path was broken off."*

Almost prophetically, he then added:

*"Not only that, but in much of Latin America there was a resurgence of the neoclassical theories which had guided our development before the great world depression, in the hegemonic interests of the centres and of the hegemonic groups in the periphery but without regard for the great mass of the population, which industrialization barely touched."*

Those words are still quite relevant. In them and in the model of moral and intellectual integrity that Raúl Prebisch left us, we must seek the inspiration to continue today along the path he first charted for us.