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Prebisch and Myrdal: development economics in the core and on the periphery

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Abstract
The ideas on development issues of two 'pioneers in development', Raúl Prebisch and Gunnar Myrdal, are tracked in their formation and evolution. The central role of these two 'defiant bureaucrats' in the Economic Commission for Europe (ECE) and the Economic Commission for Latin America (CEPAL) are used to reflect on the interaction between intellectuals and international institutions in different historical contexts. Both men represented a liberal–universal strand in development thinking. Their divergent conclusions and assessments of the role of international institutions are compared, and are related to their different origins in core and periphery. It is argued that such roots influenced two different approaches to development problems within the UN system.

Keywords development, international organizations, Myrdal, Prebisch, regionalism

Introduction

After a period of neo-liberal predominance in thinking about development, there is renewed criticism of beliefs in self-regulating markets, a smaller state, and the rejection of ambitious forms of income redistribution. Moreover, there is a developing critique of looking at countries as single units that compete under the same conditions to achieve development. One can see a new search for structural answers, notably regionalism and multilateralism, in recognition of the 'importance of interstate cooperation to construct a new global order'.[1] Again, 'development' is not only regarded as a result of each country's adaptation to 'correct' market orientation strategies but also as a response to changes in the architecture of the global economic and political system.

1 Giovanni Arrighi, *Adam Smith in Beijing: lineages of the 21st century*, London: Verso, 2007.

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This re-evaluation is welcome, but one should be careful not to reinvent the wheel. In our view, the current debate on world political economy could benefit from a review of former thinkers on development and their insertion in the international organizations that helped to foster their ideas. This article thus analyses the process of creation and diffusion of development ideas from the perspective of two 'pioneers in development',[2] namely Gunnar Myrdal (1898–1987) and Raúl Prebisch (1901–86).

The works of Prebisch and Myrdal exhibit an evolution of their development thinking, with complex links between national and international levels. At the national level, they were directly involved in outlining development strategies for their respective countries, Argentina and Sweden. At the international level, they were prominent members of international organizations, particularly those related to the United Nations (UN) system. They were, among other things, the architects of two UN regional organizations, the Economic Commission for Latin America (CEPAL)[3] and the Economic Commission for Europe (ECE). Through their deep engagement at CEPAL and the ECE, they were pioneers not only in development but also in linking the national level to the international through regional entities.

There is much truth in the notion that the UN's structure and agenda was (and is) deeply influenced by the hegemonic interests and ideas of big powers,[4] but it is also true that the UN played a central role as the 'institutional home' in 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 provided identity and voice to the post-war peripheral regions, in which devastated Europe was included. Even though there were commissions in other parts of the world (Asia and Africa), the link between the ECE and CEPAL, as channels of ideas across regions, and as arenas of elaboration of heterodox ideas, was particularly relevant, not least because of the outstanding positions and personal contacts 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 interdependence among regions as well as the asymmetries that frustrated the free play of markets as envisaged by economic liberals. They also had a common view on the need for a more active role of the state, and for the creation of new international mechanisms to improve the development conditions of weaker countries. Myrdal and Prebisch represented a new generation of economists at core and periphery, 'social engineers' who were attracted to the UN in pursuit of the highest ideals of humankind after the disaster of the Second World War.[5] However, they also had their differences, which were to some extent related to their different

2 Gerald M. Meier and Dudley Seers, eds., *Pioneers in development*, Oxford: Oxford University Press, 1984. For a comprehensive view of the growing importance of regionalism across the world, see Fred H. Lawson, *Comparative regionalism*, Burlington, VA: Ashgate, 2009.

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

4 Peter Gowan, 'US: UN', *New Left Review*, 24, November–December 2003, pp. 5–28.

5 John Toye and Richard Toye, *The UN and global political economy: trade, finance, and development*, Bloomington, IN: Indiana University Press, 2004, p. 54.

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regional experiences. Beyond this, we argue that there are many lessons to be drawn from those experiences, since many of these issues are still prominent in contemporary debates on how to confront present economic challenges: for example, the role of the state, globalization (the international system), and regionalism.

Regarding the study of ideas in political economy, Peter Hall argues that, as in other fields, they represent an important component of economic and political worlds, and should not be regarded as exogenous variables.[6] 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 matter, since scholars and 'policymakers are influenced by the lessons drawn from past policy experiences'.[7] We would add that individuals and organizations, such as the UN's regional commissions, are influenced by the institutional environments in which they act. Organizations are not neutral. They adopt legitimated norms and values, transmitted through the institutional environments to which they conform, in order to receive support and legitimacy.[8] The linkage of the economic commissions to particular regional settings is an example that is analysed in this study.

After the Second World War, 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 Economic and Social Council (ECOSOC) in particular – was marked by a universal liberal ethos. Yet the UN institutions could not 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] It expressed the ideals of its sponsors but it also manifested the somewhat chaotic and interest-based interaction of those who participated in it. One example of the tensions between these two natures can be seen in 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, researchers ran the risk of becoming what John and Richard Toye call 'defiant bureaucrats'.[11] This risk, we add, was not only caused by the potential dissonance between researchers and the objectives of the organizational bureaucracy of the UN and its sponsors. It was also an expression of the inherent tension between the universal ideals that the UN was supposed to convey and the day-to-day dealings of an organization embedded in geopolitical realities. In the UN, the 'double nature' could take different forms. At the regional commissions, for example, the sponsors were 'different groups of states, operating at different political contexts'.[12]

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6 Peter A. Hall (ed.), *The political power of economic ideas: Keynesianism across nations*, Princeton, NJ: Princeton University Press, 1989, p. 362.

7 Ibid.

8 Richard Scott and John W. Meyer, 'The organization of societal sectors: propositions and early evidence', in Walter W. Powell and Paul J. DiMaggio, eds., *The new institutionalism in organizational analysis*, Chicago, IL: Chicago University Press, 1991, p. 122.

9 Toye and Toye, *UN*, p. 13.

10 Hall, *Political power*, p. 8.

11 Toye and Toye, *UN*, p. 8.

12 J. Robert Berg, 'The UN Intellectual History Project: review of a literature', *Global Governance*, 12, 2006, p. 335.

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From these sponsors, 'defiant bureaucrats' could gain support in order to challenge mainstream views. This 'defiance' expressed a challenge to the dominant influence of the two hegemonic Cold War powers, the United States (US) and the Soviet Union (USSR), and the power politics around the workings of the UN.

In this article, 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 independence' for 'national' ideas, and even pioneer the emergence of regional development projects.[13] 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 worldviews of the two great powers. Thus, summing up, the main questions that this article deals with can be posed as follows: what was the interplay between the ideas of Myrdal, Prebisch, and the UN organizations in which they were involved? And how did their different institutional environments and worldviews, at centre and periphery, influence their ideas and actions?

The article starts with a historical background of the ideas and personal engagement of the two economists. 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. The next section analyses their period as 'international officers', and the focus here is fundamentally on their regional commitment, through their work at the ECE and CEPAL. In the following part, we deal with their pathway from regional to global thinking and action. Their regional commitment can already be regarded as 'global action', although this became clearer when they left the regional commissions. In Prebisch's case, this was through his leadership at the UN Conference for Trade and Development (UNCTAD), and 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 South Asia,[14] as well as subsequent works, reflects a gradually broadened interest in global development issues, with a specific emphasis on what came to be called 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.

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 a strengthening of an identity that later on would guide his life

13 Joseph Hodara, *Prebisch y la CEPAL: sustancia, trayectoria y contexto institucional*, Mexico City: El Colegio de Mexico, 1987, p. 13.

14 Gunnar Myrdal, *Asian drama*, New York: Twentieth Century Fund, 1968.

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and action: Latin America. However, not many of these 'Latin Americanist' sentiments made an impression on the young Prebisch, or on the dominant economic and political elites in Argentina. During the late nineteenth century, Buenos Aires was one of the most modern and fastest-growing cities of Latin America and the world, as it benefited from rising prices for its primary products, which were exported to Britain under the economic stability granted by the Gold Standard and the Pax Britannica.

A son of a German immigrant, who had 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 his '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 Buenos Aires University, where he graduated as an accountant.[17] It was at university that he started his writing and thinking in relation to Argentinean political economy and developed a strong commitment to serving 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'état on 6 September 1930, the new military government offered him, at the age of twenty-nine, the post of under-secretary of finance. In addition to his work for the Asociación Rural, his apparent collaboration with the military contributed to a deep hostility towards him within nationalist circles.

In 1932, in the midst of the Great Depression, Prebisch lost his position at the ministry, but was asked to attend a League of Nations meeting at Geneva, and to 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 first understood the insignificance of Argentina in the power games of big countries. It also opened his eyes to the fact that the 'currency of international trade was power'.[18] The economic crisis of the 1930s had created such structural problems in the Argentinean economy, however, that Prebisch realized that there was an urgent need to abandon free-trade-oriented textbooks, and to assign a more active role to the state. The shifts of the global economy demanded new choices, 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,

15 Edgard J. Dosman and David H. Pollock, 'Raúl Prebisch: the continuing quest', in Enrique V. Iglesias, ed., *The legacy of Raúl Prebisch*, Washington, DC: Inter-American Development Bank, 1994, p. 16.

16 Ibid.

17 Ibid, p. 17.

18 Ibid., p. 21.

19 Joseph L. Love, 'Raúl Prebisch and the origin of the doctrine of unequal exchange', *Latin American Research Review*, 15, 13, 1980, p. 47.

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where he found a model for his 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 policy-making because of his technical expertise, rather than through his position in political parties or social organizations, his career channels being 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 position.[20] In 1943, at the height of his career, another coup d'état changed his position for the worse. 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 in October 1943. Ironically, these accusations were thrown at him at a moment when Prebisch started to express 'serious doubts' regarding neoclassical 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, including the work of John Maynard Keynes. Later on, he 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, which led to an extended consultancy with that 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 of 'centre–periphery' in print, identifying the US as the cyclical centre and Latin America as a 'periphery of the economic system'.[23] Prebisch became fascinated by Mexico's historical and cultural wealth, and this was a turning point, when he 'became Latinized'.[24]

As long as he could stay at 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 time, he 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, which could not rely on international markets. Prebisch favoured an 'inward development', directed to strengthening the internal structure of the economy. However, his conflict with the Argentinean government did not cease, and he was finally forced out of the university on 15 November 1948.[26] This paved the way for his international career.

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20 Dosman and Pollock, 'Raúl Prebisch', p. 26.

21 Raúl Prebisch, 'Five stages in my thinking on development', in Gerald M. Meier and Dudley Seers, eds., *Pioneers in development*, Oxford: Oxford University Press, 1984, p. 175.

22 Carlos Mallorquín , 'Raúl Prebisch before the Ice Age', in Edgard J. Dosman, ed., *Raúl Prébisch: power, principles and the ethics of development*, Buenos Aires: IDB-INTAL, 2006, p. 68.

23 Love, 'Raúl Prebisch,' 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 and Pollock, 'Raúl Prebisch', p. 28.

25 Mallorquín, 'Raúl Prebisch', p. 67.

26 Edgard J. Dosman, 'Markets and the state in the evolution of the "Prebisch Manifesto"', *CEPAL Review*, 75, December 2001, p. 92.

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The beginnings of Gunnar Myrdal: nationalist and 'half-American'

Born in the Swedish countryside district of Dalarna, the son of a self-made building contractor, Gunnar Myrdal was the first in his family to enter higher education.[27] In his early twenties, while studying law, he could best be characterized as a conservative-leaning Swedish nationalist from an agrarian background. However, his professional career, as well as his attitude to social affairs, was to change with his marriage to Alva Reimer in 1924. It is in fact impossible to understand Myrdal's intellectual development without grasping its continual interplay with Alva (1902–86), who contributed to broadening his understanding of 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, which was defended by established economists in Sweden, including his tutor, Gustav Cassel. Stressing the role of expectations in the price formation process, Myrdal developed a dynamic approach to economics, which was 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 who was schooled in mainstream neoclassical tradition, but who questioned its static premises, challenging its inability to explain the dynamics of change. A second influence came from economic experience. 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 1929–30, he witnessed closely 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 was also based on subjective evaluation, a fact that Myrdal would readily have admitted. Like many other theorists of the tendencies of capitalism towards depression, he was often accused of dystopia. More important in this context was 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 than the neoclassical perspective would admit.

In the mid 1930s, Myrdal was to devote a large part of his time to social policy. He authored, jointly with Alva, a demographic and social inquiry in 1934, arguing that Sweden was facing a demographic crisis. As a social scientist imbued by Enlightenment ideals, with clearly formulated egalitarian premises, his view on political economy broadened to include basic questions of social welfare and education, seen as prerequisites for 'sound economics'.

27 Stellan Andersson and Örjan Appelqvist, eds., *The essential Gunnar Myrdal*, New York: New Press, 2005.

28 Yvonne Hirdman, *Alva Myrdal: the passionate mind*, Bloomington, IN: Indiana University Press, 2008. This is a seminal work on the intellectual interplay between Gunnar and Alva Myrdal.

29 Myrdal, *Vetenskap och politik i nationalekonomien*, later published as *The political element in the development of economic theory*, Cambridge, MA: Harvard University Press, 1954.

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Until 1938, Myrdal's research activities were mainly focused on issues within a national context, but this changed when he took on the task of directing a large study on 'The Negro problem' for the Carnegie Corporation, one of the major research foundations of the US.[30] In a work on Sweden's role in post-war politics, he wrote: 'Being fully a Swede has not prevented me from being half American'.[31] Four years in the US not only established Myrdal as a well-known critic of American social affairs, but also gave him two major impulses. The first one paradoxically liberated him from the dystopian experiences of the economic depression of the early thirties. The rearmament of the United States (1939–43) 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 interests of the 'modern industrialist', one of Myrdal's heroes, with those of the US working class. This logically indicated the possibility of establishing a long-term social consensus.

The second impulse had to do with conditions arising from world trade. As chairman of Sweden's Post-war Planning Commission in 1944–45, and as Minister of Commerce 1945–47, 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 rather than economic. For him, international trade was a means of overcoming entrenched nationalism, thus creating a rational division of labour, rather than a means of intensified competition. However, he argued that it was through practical means that the benefits of free trade were to be accomplished, not by establishing rules equal for all. This attitude echoed the insights of the young economists on the value-laden dimension of political economy. It was not the 'objective' effects of the Heckscher–Ohlin 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 characteristic of his approach to trade issues, 'institutional' was the other. Values could only be propagated thought the mechanism of institutions. While favouring the continuation of the wartime coordination bodies as post-war international institutions, he criticized the discussions at the International Trade Conference in London for being too preoccupied with general principles, and for devoting too little time to how to manage markets to achieve social goals. This was an echo of his earlier thinking, on the need to allow institutions consciously to countervail market tendencies, but now applied at the international level.

Although successful initially, Myrdal's trade policy met with severe problems, owing to 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 that they had previously requested. This change of disposition was clearly influenced by the changing mood 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 goodwill of the US State Department.

30 Gunnar Myrdal, *An American dilemma: the Negro problem and modern democracy*, New York: Harper, 1944.

31 G. Myrdal, *Varning för fredsoptimism*, Stockholm: A. Bonnier, 1944, p. 8.

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Unable to pursue his larger intentions in trade policy, he eagerly grasped the opportunity to address trade problems on an international level, when he was offered the post of executive secretary of the first regional organization of the United Nations, the Economic Commission for Europe. After arriving in Geneva in April 1947, he found that both his intellectual inspirations and his experience of practical policy made him well suited to deal with the regional as well as the global development problems that he was to face.

Regional officers: the ECE and CEPAL as vantage points

For Myrdal as well as for Prebisch, it was a combination of an impasse on the national scene and an opportunity at the international level that would lead them into careers 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 forty exiled German and other European social democratic intellectuals.[32] In 1943, they jointly published a manifesto on the need for a collective European reconstruction effort after the war.[33]

The establishment of the ECE occurred at a time when East–West tensions were growing.[34] Myrdal was to confront two models regarding the role of an international bureaucracy when setting up his 200-strong staff: the first was to view its officers as representatives of member countries; the second was 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 universal ethos of the UN Charter? Myrdal did not hesitate to pursue a recruitment policy based on scientific merit, even if it was at odds with opinions within influential governments. Referring to the clash arising from his recruitment of Nicholas Kaldor as chief of the ECE research division, Myrdal later said: 'the British were so angry with me and the ECE because they never had given up, right from the beginning, their right to decide who 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.'[35]

It was against the backdrop of this newly established staff of high economic competence that Myrdal tried to make the ECE the coordinating body for the large post-war recovery aid that he knew was forthcoming from the United States. He held high-level meetings with governments in Paris, London, and Moscow, and used his influence in Stockholm,

32 Klaus Misgeld, *Die 'Internationaler Gruppe demokratischer Sozialisten' in Stockholm 1942–1945: zur sozialistischen Friedensdiskussion während des Zweiten Weltkrieges*, Uppsala: Almqvist & Wiksell, 1976.

33 It was during these years that Myrdal met David Owen in Stockholm. Their close friendship was important when Owen, acting as Assistant Secretary-General of the UN, advanced Myrdal's name as head of ECE.

34 A richly documented account of the beginnings of the ECE is given in Vaclav Kostelecky, *The United Nations Economic Commission for Europe: the beginning of a history*, Gothenburg: Graphic Systems, AB, 1989.

35 Ibid., p. 99. The interview was conducted in 1978. The diplomatic correspondence on the early recruitment policy is detailed here, on pp. 96–100.

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Warsaw, and Washington towards the same end.[36] It is was only after the first report of the Conference of European Economic Cooperation (CEEC),[37] in September 1947, had been scrapped by the US, that a permanent European body was set up to coordinate the European Recovery Programme.[38] The geopolitical reasons behind the decision of the US, the UK, and France to set up the CEEC as an organization to rival the ECE will not be dealt with here.[39] However, it clearly signified the break-up of Europe into two separate political and economic spheres. When it was clear that the pan-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 on transport and coal in 1945,[40] 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 Cocom[41] were applied to large sectors of the trade between eastern and western Europe, and were at their height in 1952–53. According to a comprehensive study, the proportion amounted to about 40% of pre-war trade.[42] In 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 press conference in May 1954, Myrdal congratulated the ECE on 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.'[43]

The second task 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 the necessary analytical skills, the ECE staff would be able to exercise influence on public opinion and, hopefully, on governments. The first *Economic survey* was published in early 1948. It demonstrated the expertise of the ECE staff to such an extent that, according to Milward, it embarrassed the US authorities, since it 'was

36 Örjan Appelqvist, 'A hidden duel: Gunnar Myrdal and Dag Hammarskjöld in economics and international politics, 1935–1955', *Stockholm Working Papers in Economic History*, 2, 2008.

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

38 Alan Milward, *The reconstruction of western Europe 1945–51*, Cambridge: Cambridge University Press, 1987, pp. 69–89.

39 The arguments of the chief actors are discussed in Örjan Appelqvist, 'Rediscovering uncertainty: early attempts at a pan-European post-war recovery,' *Cold War History*, 8, 3, 2008, pp. 327–52.

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

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

42 Gunnar Adler-Karlsson, *Western economic warfare 1947–1967: a case study in foreign economic policy*, Stockholm: Almqvist & Wiksell, 1968.

43 Quoted in *Le Monde*, 3 May 1954.

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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'.[44]

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 cooperation that would assert the role of the ECE and what was called in Geneva 'the European Centre of the UN'. He was soon to be disenchanted, however, for Hammarskjöld knew all too well the misgivings of the US representatives at Myrdal's independent-mindedness, and did not wish to risk his own position.[45] In September 1954, Hammarskjöld's aloofness changed to open disavowal. During the previous ECOSOC meeting, Myrdal had been openly critical of the attempts by the US representatives to curb the measures proposed by the ECE to maintain East–West trade relations, which had awakened their wrath. 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 also dangerous 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.'[46] In this conflict between the universal vocation of the UN organizations and the acceptance of prevailing power relations, Hammarskjöld sided with the latter. For a second time, Myrdal found his margin of political action curtailed, and thus decided not to seek the renewal of his mandate at the ECE. Looking back on his ten years there, he certainly regarded it as a semi-defeat, but he nevertheless prided himself on the accomplishments of tasks at a practical and scientific level.

Prebisch's career on a regional level began in a different mood. At the time when Myrdal was organizing the headquarters of the ECE, Prebisch had not yet had any thoughts of a UN position. According to Prebisch himself, he noted 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'.[47] In late November 1948, ten days after Prebisch's dismissal from the university, representatives from the International Monetary Fund (IMF) invited him to become part of their staff. Yet, two months later, Prebisch was discarded by Washington.[48]

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

44 Milward, *Reconstruction*, p. 84.

45 This issue is dealt with in detail in Appelqvist, 'A hidden duel'.

46 Archives of Labour Movement, Stockholm, Sweden, Archives of Gunnar and Alva Myrdal, vol. 6.1.009.23.1.2.34, Hammarskjöld to Myrdal, personal and confidential, 10 August 1954.

47 David Pollock, Daniel Kerner, and Joseph H. Love, 'Raúl Prebisch on ECLAC's achievements and deficiencies: an unpublished interview', *CEPAL Review*, 75, December 2001, p. 10.

48 Dosman, 'Markets', p. 94.

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26 May to 14 June 1950.[49] Having little time, and with a brand new team, Prebisch found it a challenge to present a report that has since gained great symbolic value:

> There was a growing *Schadenfreude* among the skeptics 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-raters.[50]

Dosman 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'.[51] However, the report provided by Prebisch was not a disappointment.[52] Its reception, including in Argentina, was very positive: 'words of praise everywhere'.[53]

One 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 the region's 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.[54] The long-term data elaborated since the time of the League of Nations, and the work of Hans Singer at the UN, were pivotal.[55] It was actually the League of Nations that started publishing 'Economic surveys', calling them annual 'World economic reports', and this was continued after 1945 by the UN's Department of Economic Affairs.[56] Influenced by the League's experience, the officers of the Department of Economic Affairs believed that it was imperative for nations to coordinate their economic policies.[57] They thus promoted the making of regional economic surveys.[58]

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49 Edgar J. Dosman, *The life and times of Raúl Prebisch, 1901–1986*, Montreal: McGill-Queen's University Press, 2008, p. 238.

50 Dosman, 'Markets', p. 95.

51 Ibid., pp. 95–6.

52 Raúl Prebisch, *The economic development of Latin America and its principal problems*, New York: United Nations, 1950.

53 Pollock, Kerner, and Love, 'Raúl Prebisch', p. 11.

54 Toye and Toye, *UN*, p. 116.

55 Singer was a researcher at the UN's Department of Economic Affairs and an alter ego of Prebisch in the elaboration of the terms of trade thesis. He was influenced by the Swedish economist Folke Hilgerdt, who 'first mentioned this long-term data source to me and expressed puzzlement about its behavior'. See Hans Singer, 'Comments on ''Raúl Prebisch: the continuing quest''', in Iglesias, *Legacy*, p. 48.

56 Toye and Toye, *UN*, p. 87.

57 Ibid., p. 66.

58 The first one was the ECE's, published in April 1948.

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A second reason for enthusiasm was that the report recommended solutions, in the form of rational proposals to overcome the obstacles presented in world trade. Industrialization, with more rational policies for import substitution industry (ISI), was 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 in itself new for Latin Americans, who had found inspiration in the ideas of the German Friedrich List, the Romanian Mihail Manoilescu,[59] and the Argentinean Alejandro Bunge, the last a former teacher of Prebisch. The difference was that, inspired by new international insights, Prebisch embraced active government intervention, arguing that industrialization had to be planned, or 'programmed', to use CEPAL's language. To speak of 'programming' was new and challenging in connection with the idea of ISI, as was the need for a regional dimension for such a policy to be efficient.

Hence, a third reason for welcoming the report was related to identity and regionalism. With this theme, Prebisch and CEPAL were able to reach the hearts and minds of Latin Americans. The identification of Latin America as a unit was not a politically neutral position to take. It coincided with new geopolitical views in certain Latin American countries, such as Brazil and Argentina, and tapped into an old nationalist vein that invoked the ideas of Simón Bolivar and '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 had such an impact without the backing from pro-integrationist forces.[60]

That said, 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 a channel through which Latin Americans could express themselves, and thereby influence developments, as well as accessing international currents of thinking. The need for regional integration, which was 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 he 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 that 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 dominant ideas regarding government intervention.

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

60 Andrés Rivarola Puntigliano, 'De CEPAL a ALALC: tres vertientes del pensamiento regionalista en Latinoamérica', unpublished paper for 53rd International Conference of Americanists, Mexico City, 18–24 July 2009.

61 Pollock, Kerner, and Love, 'Raúl Prebisch', p. 54.

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Finally, there was a fifth factor. Prebisch's report was also innovative because it provided a systemic perspective, by conceptualizing the interaction between core and periphery. It highlighted the systemic constraints of the periphery as something more complex than the terms of trade issue, laying the basis for a global comprehension of the cyclical process of the international economic system. The development of the periphery could not be dissociated from 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.

As a result of the impact of his 1949 report, Prebisch became executive secretary of CEPAL in 1951, after the UN had accepted his condition of maintaining 'independent thinking'. The 'defiant bureaucrat' had reached a new position from which to 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 CEPAL, elaborating conceptual frameworks for development on 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 CEPAL's policies were ousted by military coups, in Argentina in 1962 and in Brazil in 1964. Nevertheless, the ideas that he advocated had gained strength on other continents. Although the regional door was closing in Latin America, a new opportunity appeared. Prebisch was invited to spread his gospel to 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 this that led them both to political impasses.

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 its auxiliary. As a consequence, Myrdal reoriented his attention to the academic and intellectual fields from which he came. Having been invited to be the keynote speaker at the 200th anniversary of Columbia University in 1954, he expanded his lectures into a comprehensive analysis of international problems, which was published in 1956.[64]

Myrdal's point of departure was a paradoxical contrast between developments in 'advanced industrial countries' and the trend on the larger international scene, especially in underdeveloped countries. In the former case, the trend was towards national integration

62 Hodara, *Prebisch*, p. 38.

63 Mallorquín, 'Raúl Prebisch', p. 68.

64 Gunnar Myrdal, *An international economy: problems and prospects*, New York: Harper, 1956.

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and establishing a welfare society, in accordance with 'the Western world's inherited ideals of liberty and equality'. In the latter case, the trend was 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 educated opinion in the advanced countries can live up to ideals of 'liberty and justice'. This, in essence, was 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 universal terms, harking back to Enlightenment values of freedom and equality as the basis for international integration, this term postulated development as a linear process, with 'industrially advanced' countries at the top of the ladder.

However, when approaching the practical problems in overcoming this international paradox, the 'core economist' changed camp: he went south. In his analysis of the predicament of 'underdeveloped' countries he was clearly influenced by 'the remarkable series of studies' by Prebisch and his fellow researchers at CEPAL.[65] 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 this 'false sense of universality', Myrdal proposed to 'tackle the subject deliberately from the view point of their own interests'.

In his subsequent analysis of the internal development problems of the 'underdeveloped' countries, there was a new and strong emphasis on the role of institutions, which paralleled 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 and regulating role of the state, based on egalitarian values and with the support of strong labour organizations, that broadly based social growth had been possible. On the international level, however, these countervailing forces were absent.

True to his dynamic and Wicksellian understanding of economic processes, Myrdal criticized the assumptions of comparative advantage in the doctrines of free trade. International trade would lead to increasing welfare gaps instead of mutual advantages, if left to the influences of technology and investment margins alone. Although critical of CEPAL's 'narrow industrialization strategy',[67] he 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, would be just as necessary as changes in 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 from 'economic enclaves' benefiting from actual trade relations.

65 Ibid., p. 222.

66 Ibid., p. 223.

67 Ibid., p. 228.

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According to Myrdal, the world's hope for a peaceful solution of the economic and social problems triggered by gross inequalities depended on two interrelated changes: first 'that the underprivileged nations succeed in joining forces effectively', and secondly that '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 'underdeveloped' countries.

It was in the hope of stimulating these endeavours that Myrdal continued his work. 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, from which he later published a book entitled *Economic theory and under-developed regions*.[69] In this book, he gave a central place to a frontal attack on the Heckscher–Ohlin trade theorem on factor price equalization, arguing for a broader framework of 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 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 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 reasons why the 'unrealistic' assumptions of free trade benefits still dominated were 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, leads to laissez-faire conclusions.[73]

68 Ibid., p. 319.

69 Gunnar Myrdal, *Economic theory and under-developed regions*, London: Duckworth, 1957 (published in the US as *Rich lands and poor*, New York: Harper & Row, 1957.

70 Ibid., p. 157

71 Ibid., p. 24.

72 Ibid., p. 26. There is an explicit reference to Ingvar Svennilson, *Growth and stagnation in the European economy*, Geneva: UNECE, 1954.

73 Ibid., p. 159.

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However, these conditions were soon to change, as he hoped that

> 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 wide research endeavour on India and other South Asian countries, which culminated in the publication of *Asian drama* in 1968. The awakening among the non-aligned countries thus had a profound effect on Myrdal's thinking and research interests.

Prebisch's entry on the scene as a global thinker was likewise a result of processes in the 'periphery', to use his own terminology. By the early 1960s, the impact of decolonization was being felt through the new leverage of the '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 UN.[75]

That claim was brought to the UN, where an ECOSOC resolution in August 1962 supported the convening of a UN Conference on Trade and Development (UNCTAD). This could be considered as an attempt to resume the close ties between trade and development contained in the International Trade Organization charter, a connection left defunct but not forgotten. The period corresponded with a more open line of action by the US in relation to 'developing countries'.[76] After Kennedy's assassination in November 1963, this 'soft' attitude changed to a 'tough' one, with a polarization in the Cold War, but even if US hardliners 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 secretary-general of UNCTAD, 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 and Toye, the establishment of UNCTAD went beyond having a group of defiant bureaucrats in the UN: it was nothing less than the attempt to institutionalize 'defiant bureaucracy'.[77] After his initial reluctance to enter CEPAL, Prebisch understood that the UN could actually be an arena where weaker countries and regions could come out from the margins.

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74 Ibid., p. 162.

75 Toye and Toye, *UN*, p. 187.

76 This contributed to the creation of the Latin American Free trade Association (LAFTA).

77 Toye and Toye, *UN*, p. 212.

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Showing Prebisch's influence, the original UNCTAD programme was that of CEPAL extended to the global level. According to pundits,[78] Prebisch's reports to the two UNCTAD conferences of 1964 and 1968 contained theses already familiar to 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 relation to Latin America, Prebisch openly recognized the limits of ISI, but he now insisted on an Export Substitution Industry (ESI) orientation. ESI was a policy directed towards the replacement of traditional commodity exports with manufactures or 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 reciprocity.[79]

From his UNCTAD platform, Prebisch became an 'itinerant preacher', spreading the message of asymmetric exchange, denouncing the increasing 'trade gap', and pleading for concessionary financing and export substitution industrialization in 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] However, he never harboured illusions about his organization assuming the functions of the IMF or the World Bank. Rather, he expected UNCTAD to generate new ideas continually, and to critique the conditionality in IMF and World Bank lending operations.[81] As CEPAL had done before for Latin American countries, UNCTAD was now used to bring the G77 countries into one room, providing a tactical forum for North–South dialogue. Indeed, the emergence of the G77 group as a bargaining force was largely due to the existence of the UNCTAD forum.[82] Prebisch understood the power of ideas and had learned how to use the 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 limited, however, and he became increasingly frustrated over what he regarded as limited results. The developed countries were not interested in giving out positions to the 'Third World', a group of countries too weak and divided to provide effective opposition. To the Second Conference of UNCTAD, in 1968, Prebisch proposed a programme of considerably more active commodity policies, raising their price levels. When this was either rejected or diluted, he resigned from the organization.

Myrdal shared Prebisch's deep disappointment at the fate of UNCTAD. In 1968, he characterized the UNCTAD meeting as 'almost a complete failure',[84] quoting Prebisch's speech

78 Pollock, Kerner, and Love, 'Raúl Prebisch', p. 38.

79 Ibid., p. 39.

80 Dosman, *Life and times*, p. 429.

81 Pollock, Kerner, and Love, 'Raúl Prebisch', p. 42.

82 *The history of UNCTAD 1964–1984*, New York: United Nations, 1984.

83 Pollock, Kerner, and Love, 'Raúl Prebisch', p. 569.

84 Gunnar Myrdal, *The challenge of world poverty*, London: Allen Lane, 1970.

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on 'the lack of political will' of the dominant countries. Arguing the need for 'regional cooperation with joint planning', he blamed the failure on the splits between the 'underdeveloped' countries, and their inability to overcome them, 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. He concluded that, 'The majority of the developed countries, with the United States in the lead, is now intent on putting UNCTAD on ice.'[85]

Taking stock: personal differences

The conclusions that 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 for broad social analyses of the development problem, in *Asian drama* he produced an extremely rich survey of demographic, cultural, and social factors that had to be taken into account. However, this also made problems of trade theory recede into the background. In this analysis, he sought to apply his Enlightenment premises to modernization in 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 modernization and development processes, but in India it was obvious that the state was far removed from this Weberian model. Through 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 education reform, birth control, and agrarian reform.

In the political sequel to this book, *The challenge of world poverty*, it was even more clear that Myrdal had left behind the broad structural approach developed in his Cairo lectures.[86] This book 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 it was with Myrdal's earlier 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 were brought to the fore in such a discussion were no longer economists and politicians in 'underdeveloped' countries but the governments of the North, capable of providing such assistance: 'It is my firm conviction that only by appealing to people's 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 western Europeans after the Second World War, he called for 'something like a Marshall Plan for the under-developed world'.[88]

85 Ibid., p. 309.

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

87 Myrdal, *Challenge*, p. 368.

88 Ibid., pp. 337, 342.

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Still more important was Myrdal's disillusionment with the capacity of intergovernmental organizations 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 intergovernmental organizations for international cooperation he concluded: '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 with their demand for a New International Economic Order at the Special Assembly of the UN in 1974, Myrdal was not very hopeful. He saw nothing new in these demands and judged the campaign to have had a history not unlike that of UNCTAD.[90] That is, it was 'almost a complete failure'. This was a long way from his call to young economists in 'underdeveloped' 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 Bielschowsky, he was still cautiously optimistic about the possibilities of obtaining support from central countries for concerted international intervention to reduce the vulnerability of countries on the periphery.[92] On the occasion of the tenth anniversary of UNCTAD in 1974, he defended its heritage 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, Prebisch was an incorrigible optimist, despite the fact that his later research work as chief editor of the journal *CEPAL Review*, which was his last position at CEPAL, led him to take a more critical stance 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 were later published as a book.[94] According to Prebisch, the dominant model promoted an 'imitative capitalism' among peripheral countries. Such forms of 'peripheral capitalism' were sustained by elites (including the middle class), encouraging a consumption of technologically advanced products from core countries. When national industry could compete with those products, new ones were introduced into the market, in a rapid and expensive quest for innovation and market share.[95] Prebisch noted how the periphery adopted technological lifestyles, followed ideas and ideologies, and reproduced institutions from the core.[96]

89 Gunnar Myrdal, 'Increasing inter-dependence between states but failure of international cooperation', Felix Neuberg Lecture 1977, quoted in Andersson and Appelqvist, *Essential Gunnar Myrdal*, pp. 194–200.

90 Gunnar Myrdal, 'The need for reforms in under-developed countries', in *Peace studies*, Seoul: Kyung Hee University Press, 1981, quoted in Andersson and Appelqvist, *Essential Gunnar Myrdal*, p. 210.

91 Gunnar Myrdal, *Economic theory and underdeveloped regions*, New York: Harper, 1971, p. 104.

92 Ricardo Bielschowsky, ed., *Cinqüenta anos de pensamento na CEPAL*, Rio de Janeiro: Cofecon, 2000, p. 48.

93 *UNCTAD: tenth anniversary journal*, New York: United Nations, 1974, p. 8.

94 Raúl Prebisch, *Capitalismo periférico: crisis y transformación*, Mexico City: Fondo de Cultura Económica, 1981.

95 Raúl Prebisch, 'A critique of peripheral capitalism', *CEPAL Review*, 1976, pp. 24–5.

96 Raúl Prebisch, 'Five stages', p. 184.

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The result, he concluded, was a continuous weakening of the reproductive accumulation of the periphery'.[97]

In spite of his criticism, Prebisch was not anti-systemic. Although he had rejected revolutionary radicalism throughout his life, his theses were 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 causes, the solutions also needed structural measures. Even if some argue that his organizational projects and theoretical ideas failed, reality points somewhere else, in Latin America and elsewhere.[98] Prebisch was part of the 'creation' of Latin America, where one can now see a constant strengthening of his vision regarding integration processes linked to industrialization and to the international system. This goes in tandem with strong voices demanding systemic changes. Nowadays, these views do not depend so much on a UN commission, since they are deeply imbedded in the commanding heights of states that coordinate their calls through increasingly influential regional organizations.

Prebisch's theoretical perspective, and perhaps also his continued attachment to the regional entity, marked a difference, as an intellectual leader, from Myrdal. However, both still shared a conviction that 'global' perspectives were required, 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, neoclassical theorists and John Maynard Keynes ignored the role of structural social and power relations, and their negative effect on peripheral states, at least regarding the international system. In his view, to break with these ideas, national and international systems needed a 'distributive ethics', which would lead to more balanced measures to incorporate the peripheral parts.[100] As stated by Dosman in his valuable biography, Prebisch insisted on the major objectives of 'equitable distribution, vigorous economic growth and new institutional patterns in a genuinely participatory democracy'.[101] The UN was a significant vehicle for voicing this view.

Conclusion

Raúl Prebisch and Gunnar Myrdal were strongly influenced by their early life experiences in their native countries. The history and the economic challenges of Argentina and Sweden, respectively, conditioned their international outlook and activity in the transnational networks to which they later came to belong. However, entering UN institutions also had a

97 Raúl Prebisch, *La crisis del desarrollo argentino: de la frustración al crecimiento vigoroso*, Buenos Aires: El Ateneo, 1986, p. 49.

98 Alice H. Amsden, 'Import substitution in high-tech industries: Prebisch lives in Asia!', *CEPAL Review*, 82, 2004, pp. 75–89.

99 Dosman, *Life and times*, p. 479.

100 Prebisch, *Capitalismo periférico*.

101 Quoted in Dosman, *Life and times*, p. 488.

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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 CEPAL would be as incomplete as portraying the development of these organizations without the particular role that 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 expanded this perspective towards a global level, in the context of a systemic framework, 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 the international economy were shaped by his national background, coming from a small industrialized country in the core. However, his later intellectual evolution on development issues was to a large extent an emanation of his experiences as head of a UN institution. What had initially 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, which was 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, which became linked to regional forces committed to breaking up the post-war superpower hegemony, with the goal of creating independent economic and foreign policies. That said, Myrdal and Prebisch were not 'localists', for their positions were tightly linked to universal liberal ideals. By framing regional concerns in universal terms, they were giving their regions a voice as equal participants in the world arena. From this point of view, one should not be surprised at their ability to become 'institutional nodes', linking national, regional, and global ideas, norms, and organizations.

Prebisch and Myrdal helped to shape the outlook of the organizations of which they were part, but the UN system also influenced the way in which the ideas of these 'pioneers in development' were created. By the mere fact of their vantage points, CEPAL and the ECE pushed them to focus on issues of regional development, world trade, and global inequalities. Furthermore, the geopolitical reality in which these organizations were immersed transformed them into 'defiant bureaucrats'. Despite the formally identical role of the ECE and CEPAL within the UN system, their practices differed because of their geopolitical locations, which conditioned their role in the global power game. By the end of the Second World War, most of Europe had become peripheral to the new superpowers. With the onset of the Cold War, the ECE's vision of a pan-European regionalism was thwarted, and so was CEPAL's vision of a common Latin American market. None of the big powers, notably the US, was interested in a more united and independent region. Thus, while Latin America became more peripheral than ever before, Europe became divided, and the pro-US part of Europe, including Sweden, was rapidly rebuilt and incorporated into the 'Western core'.

These geopolitical differences marked the two thinkers' outlook. Continuing the search for causes of the backwardness of his region, Prebisch deepened his structural analysis. He expanded the core and periphery analysis from trade relations to its effects on social

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structures, both in the core and on the periphery, and stressed the need for changes. Firmly rooted in his 'peripheral horizon', it was natural for Prebisch to stress the systemic roadblocks that prevented development. Myrdal went in the opposite direction, gradually leaving structural issues of international exchange 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 'underdeveloped' 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 idea of pan-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 ideals, the morals of the 'American creed' enshrined in the US constitution. Likewise, the problem of 'underdevelopment' was a problem not only about the countries concerned but 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'. This was thus, above all, a struggle of ideas, focusing on the ideals of human equality contained in the UN Charter, and arousing world opinion to combat poverty by increasing aid flows.

Beyond these differences, Prebisch and Myrdal share a common legacy. Even though 'universalism is a ''gift'' of the powerful to the weak',[102] they insisted on thinking big and independently, in order to create their 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 in the core and the periphery, who failed to live up to the liberal values that they proclaimed as theirs. Although this might have become old-fashioned, recalling these 'defiant bureaucrats' brings back a call to action and ethical integrity that resonates with great 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 phase of UN organizations, notably the ECE and CEPAL. Particularly in respect to regional organizations, '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 level, it was more evident that 'defiance' was not just a matter of intellectual work and new theoretical perspectives. Institutions and actors were here more influenced 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.

Peter Hall's view on the role of ideas, as well as the relations between institutional environments and organizations, has provided the theoretical framework for this study, but the analysis of Myrdal and Prebisch also reveals a shortcoming in such a perspective. The 'defiant bureaucrats' were to a large extent dependent on an epistemic community, particularly if they were intellectuals. This is our explanation as to why Prebisch and Myrdal drew such

102 Immanuel Wallerstein, *Geopolitics and geoculture: essays on the changing world-system*, Cambridge: Cambridge University Press, 1991, p. 216.

103 Pollock, 'Raúl Prebisch', p. 18.

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different conclusions from their disillusionment with UN institutions. Prebisch's strong regional base among central Latin American governments not only helped him to continue his bureaucratic career in the UN but also kept him to the end in CEPAL. Integration and autonomy always remained central, indeed increasingly important, themes. Myrdal, however, lost his 'institutional home' at the ECE, and had to rely more on the moral call to Western public opinion, and the more or less self-interested benevolence of 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 in international institutions, while trying to develop the universal 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' 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 'Washington consensus'. It soon became obvious that the World Bank could not harbour such an open dissension within its ranks, and Stiglitz resigned from his position in a situation of open conflict. If this example is anything to go by, it might seem that prospects for 'defiant bureaucrats' today are extremely bleak.

However, the situation was otherwise in the formative phases of new organizations, and it may be changing today. Myrdal and Prebisch were the first executive secretaries of the ECE and CEPAL, and it was by moulding them according to their own visions that they established themselves as 'institutional nodes'. In the present situation of the restructuring of global geopolitics and the renewed strength of countries in Asia, Latin America, and Africa, one can already see that the former 'developing countries', both individually and as regional entities, are gaining influence over traditionally 'core' entities such as the IMF. This might create more room for the views of new 'defiant bureaucrats'.

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