

THE INFLUENCE OF RAUL  
PREBISCH ON ARGENTINE  
ECONOMIC POLICY-MAKING,  
1950–1962:  
A Comment

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It is a privilege to be asked to comment on a well-documented article on a topic of such historical interest. But at the outset, I would like to point out the difficulty of assessing the influence of an outside advisor on policy-making. Normally, an outside advisor is obliged to accept existing political constraints and the convictions of those in power; he or she is expected to play the role of a neutral technocrat. But the role of Don Raúl was more complicated than that of a normal outside advisor: he was also an Argentine with an international reputation who had previously occupied important positions in Argentine government. Thus he had an extremely high profile that—combined with his strong personality—made it impossible for him to be viewed as a neutral technocrat in 1955–56. For these reasons, he became an easy target for those who wanted to find fault with the policies of the Aramburu regime in order to promote their own political ends.

As special economic advisor, Dr. Prebisch had to work with the Balbín-Blanco economic team in power at the time.<sup>1</sup> The political convictions of this team (which I came to know when I became one of their outside advisors in 1963) not only constrained Don Raúl's policy recommendations but also represented the political position from which Arturo Frondizi had to distance himself if he wanted to defeat Ricardo Balbín in the forthcoming presidential election. The Balbín-Blanco team believed in the traditional Yrigoyen interpretation of popular nationalism, which was characterized by an aversion to foreign control of strategic economic activities. Accordingly, negotiations begun by Perón with the California Petroleum Company were canceled, and foreign loans were preferred over direct investment because they signified less foreign control. It was in fact disagreement over the handling of a foreign

public-utility concession that finally led Aramburu to ask for Eugenio Blanco's resignation.

It is therefore ironic, to say the least, that Rogelio Frigerio was able to accuse Prebisch of favoring foreign interests when it was he himself (and later Frondizi) who wanted to open the country up to unlimited direct foreign investment. So far as I know, Don Raúl played little or no role in shaping government policy on this subject or any other issue of long-term development. His assignment was to recommend emergency measures to overcome the existing economic crisis so that a healthy economy could be turned over to the next elected civilian government. It would be the responsibility of the next government to determine long-term development policies.

Prebisch's contribution to this end was to persuade the transitional military regime to authorize preparation of CEPAL's exhaustive study of the Argentine economy, which was supposed to serve as a guide to the next government's long-range development planning. Kathryn Sikkink certainly recognizes this separation of responsibility for short- and long-term policy-making, and thus it seems inconsistent to say that Prebisch "failed to articulate clearly a powerful or appealing alternative vision of the Argentine future." What she really means becomes clear later when she says that "the [short-term emergency] plan was not presented in a way that would win it the widest possible support." In other words, Prebisch should have played politics more effectively.

It is difficult to believe that Don Raúl did not become more deeply embroiled in local politics because he "misunderstood the context and debates of Argentine society." I find it much more plausible to believe that he thought that greater personal political involvement would have been inconsistent with his role as an outside technical advisor. If he misunderstood anything, it was that an advisor with such a high public profile in Argentina could not possibly avoid becoming a foil in the political struggle then underway. He might have tried to reduce his public profile, as he did later in 1963, but I doubt that he could have accomplished such a goal under the conditions prevailing in 1955–56.

The direct influence of Prebisch on economic policy-making in Argentina during this period should therefore be judged on the basis of his policy recommendations on economic stabilization and adjustment. The principal recommendations Professor Sikkink chose to discuss are devaluation of the peso and improvement in the relative prices of agricultural products, which "rapidly identified [Prebisch's report] as a liberal document" and "implied a transfer of income to the rural sectors, a highly political and controversial policy." These comments accurately

reflect traditional populist rhetoric, but I do not believe that any serious economists opposed these measures at the time. The Perón government had been paying farmers support prices that required large fiscal subsidies, and as a result, part of the effect of devaluation on agricultural prices was offset by eliminating these subsidies. Furthermore, devaluation was accompanied by a 25 percent retention or tax on the value of agricultural exports, a measure that was strongly opposed by the *Sociedad Rural*.

Sikkink then goes on to say that devaluation and improvement in domestic agricultural prices “did not produce the anticipated expansion of agricultural export earnings” because of a decline in the international terms of trade, which “Prebisch had failed to mention . . . in his report.” She fails to mention, however, that one of the contributing factors to the decline in the terms of trade was the control of domestic beef prices to ease the impact of devaluation on the cost of living. The sharp fall in the price ratio of beef to grain set off another cattle cycle: farmers shifted land from pasture to grain cultivation on a large scale and dumped excess beef on the already saturated Smithfield market, thereby further depressing the world price. But even if this populist policy had not been followed, there was little that Argentina could have done in the short run to avoid the effects of a fall in the terms of trade without increasing the country’s dependence on inflows of foreign capital. If the volume of grain exports had been smaller, the balance of payments deficit would have been even larger, unless the country had been willing to reduce imports of capital goods and intermediate products for industry (imports of final consumer goods were few).

The most serious shortcomings of Prebisch’s emergency policy recommendations are not mentioned in the article. One mistake was the assumption that the increase in the general price level following the reforms could be held down to 10 percent, and another was underestimation of import demand that had been repressed for so many years. Although it is easy to point out these shortcomings after the fact, it was much more difficult to anticipate changes in prices and import demand when long-standing controls began to be relaxed. Based on policy experience with stabilization and adjustment in more recent years, economists today would probably divide into two main groups in evaluating the policies of the *Revolución Libertadora*. One group would argue that the economy should have been liberalized more quickly and completely, not only to attract foreign capital to substitute imports (as Frondizi did) but especially to promote nontraditional exports more vigorously. The other group of economists would assert that a stronger policy on incomes, particularly on the price side, should have been adopted to reduce inflationary expectations.

Despite my disagreements with the author on these points, I am

in general agreement with a number of her conclusions. The formation of a "broad developmentalist coalition in Argentina" was blocked less by basic policy differences with the so-called Prebisch Plan than by internal political bickering, in which Don Raúl became a convenient scapegoat. More significantly, "the influence of CEPAL and Prebisch's ideas was broader than the influence of Prebisch as an individual and that of the Prebisch Plan." An intellectual leader's most durable influence is that affecting individuals, and I know from personal experience that economic policy-making after the mid-1950s would have been far different without the influence of the ideas of CEPAL and Prebisch on Argentina's political leaders and economists.

## NOTE

1. The same economic team came to power again in 1963 under President Arturo Illia, and Dr. Prebisch was again asked to become an advisor. This time, however, he maintained a low profile and did not prepare any public or written reports under his own name. He had learned his lesson the hard way.