

RAÚL PREBISCH
AND THE ORIGINS OF
THE DOCTRINE OF UNEQUAL EXCHANGE*

Joseph L. Love
University of Illinois at Urbana-Champaign

The perception of the international economic system as one of industrial center and agrarian periphery, in which the former dominates the latter, has had a tremendous influence in the analysis of underdevelopment; the significance of the idea is impossible to gauge because its acceptance is still expanding. Raúl Prebisch's analytical terms, and the concomitant theory of trade relations, now known as unequal exchange, have been adopted not only by the followers of a dependency theory tradition in Latin America, stemming directly from Prebisch, but also by non-Latin American writers (assuredly, with extensive modifications) such as Arghiri Emmanuel, André Gunder Frank, Immanuel Wallerstein, Johan Galtung, and Samir Amin.¹

In the realm of economic planning, Prebisch's influence has likewise been enormous, not only in the U.N. Economic Commission for Latin America (ECLA, or in Spanish, CEPAL) and the U.N. Conference on Trade and Development—agencies which he headed—but also in the Latin American Free Trade Association, the Central American Common Market, the Alliance for Progress, and in the development programs of several Latin American governments, such as the Kubitschek administration in Brazil (1956–61).²

In the underdeveloped world, center-periphery terminology has been widely accepted—often by governments which welcome the entry of foreign capital, as well as those which do not. At the Conference on International Economic Cooperation (the “North-South dialog”) in Paris in June 1977, the Brazilian foreign minister, representing a regime known for its economic neo-orthodoxy and its divergence from ECLA precepts, nonetheless called for a “substantial transfer of resources from the center to the periphery” of the world economic system.³

*I wish to thank Raúl Prebisch, Hans Singer, Enrique Iglesias, and the ECLA staff in Santiago, Chile, for their kind assistance in my research for this paper, and Albert Hirschman for a critique of it. The opinions and errors herein are, of course, my own.

Prebisch's center-periphery thesis, first formulated in the 1940s, suggested a point of view that most economists in the United States and Western Europe still find difficult to accept. It implied a hegemonic relationship between two discrete elements in a single economic system, even if "primary" and "secondary" centers changed relative positions. Not only that; the elaboration of the idea of unequal exchange between the two elements led to the conclusion that the center derived part of its wealth from the periphery (but not all, in Prebisch's version, because of the technological progress generated by the center). Furthermore, implicit in the original scheme was the idea that the relationship was an enduring one. The formation of new centers by peripheral areas was possible only by breaking away from the old center. Many of Prebisch's critics on the left differed with him more on the paths toward that break than on the nature of the international system.

The problem examined in this essay is how and why Prebisch formulated his initial thesis, which became that of ECLA; this is part of a larger problem of how and why the Third World came into existence after 1945. Like all theories, this one has some forerunners—most of which were not genetically related—but the Prebisch thesis in any event is probably the most influential idea about economy and society ever to come out of Latin America.

Although this paper belongs to this history of economic doctrines, and in a broader sense to the history of ideologies, I will argue that much of Prebisch's reasoning was based on empirical observation and experimentation. Therefore, we must begin with Prebisch's biography and the economic history of Argentina in the second quarter of the twentieth century.

Born in the city of Tucumán in 1901, Raúl Prebisch studied at the University of Buenos Aires, whose Department (Facultad) of Economics at the time was probably the best school for economic theory in Latin America.⁴ Prebisch gave clear promise of a distinguished career within Argentina's economic establishment, as an insider's insider. In 1923, upon completing a master's degree in economics, he was asked to join the staff at the university.⁵ In 1922, i.e., before Prebisch's graduation, Enrique Uriburu, on behalf of the elite Sociedad Rural, the powerful stockbreeders' association, appointed the young man director of the Rural's statistical office. Two years later the Sociedad Rural sent Prebisch to Australia, where he studied statistical methods related to stockraising, and presumably, he also obtained a broader perspective on Argentina's position in the international economy.⁶ By 1925 he was both a teacher at the university and an official in the Argentine government's

Department of Statistics. In 1928 he was again working part-time for the Sociedad Rural, compiling a statistical yearbook for the organization. Its president, Luis Duhau, noted in his preface to the compendium that "the marked interdependence of our ranching and agricultural activities and the world market explains . . . the broad coverage the *Annual* gives to international data."⁷ Thus, from his earliest professional activities, Prebisch gained an appreciation of the international economic system.

Furthermore, Prebisch was intensely interested in policy issues from the outset of his career.⁸ In 1928 he assumed the editorship of the *Revista Económica*, a journal published by the government-directed Banco de la Nación Argentina; it was concerned not only with pressing monetary matters, but also with problems of stockraising, agriculture, and international trade—not with theoretical issues in economics. In the early 1930s Prebisch was an economic advisor to the Argentine government's ministries of finance and agriculture, and proposed the creation of a central bank (with powers to control the interest rate and money supply) to the government of Gen. José Uriburu, who had seized power in 1930. Finance Minister Alberto Hueyo contracted Sir Otto Niemeyer, the British financial expert, to revise the project Prebisch and others had drawn up in 1931. The final version of the law, was however, again modified extensively by Prebisch and other Argentine economists and statesmen. The Banco Central was in fact the nation's first true central bank, and from its inception in 1935 until 1943, Prebisch served as its Director-General.⁹

In many respects, Prebisch and his colleagues in the 1930s were treading in doctrinal terra incognita. Before the Depression it was believed that Argentina had prospered according to the theory of comparative advantage in international trade. This doctrine, originated by David Ricardo (1819), and elaborated by John Stuart Mill (1848), Alfred Marshall (1879), Eli Hecksher (1919) and Bertil Ohlin (1933), can be summarized as follows:

1. Given an absence of commerce between two countries, if the relative prices of two commodities differ between them, both can profit by trading such commodities at an intermediate price ratio. That is, both can gain even if one country produces both traded goods more efficiently than the other.
2. Countries export commodities whose production requires relatively intensive use of factors found in relative abundance within their boundaries.
3. Commodity trade reduces (if it does not eliminate) international differences in wages, rents, and other returns to factors of production.

4. Among other things, the theory assumes the absence of monopoly power and the spread of the benefits of technological progress across the whole trading system.¹⁰

In Argentina, the benefits of export-led growth, based on an international division of labor, made the theory of comparative advantage a near-sacrosanct doctrine (at least down to the Great Depression). In the words of Carlos Díaz-Alejandro, "From 1860 to 1930 Argentina grew at a rate that has few parallels in economic history, perhaps comparable only to the performance during the same period of other countries of recent settlement."¹¹ Not only did powerful export groups espouse comparative advantage, but the Argentine Socialist party—viewing itself as the defender of worker and consumer interests—vigorously opposed industrial protectionism in the 1920s.¹²

That decade, however, was a period of disequilibrium as well as expansion in world trade, and though Argentina prospered, the country experienced the same problems as a number of other primary-producing nations in the final years before the October 1929 crash—namely, falling prices, rising stocks, and debt payment difficulties. Argentina was in fact the first nation in the world to abandon the gold standard in the Great Depression, in December 1929. In October 1931 its authorities introduced exchange controls to try to stem the outflow of capital and facilitate the repayment of loans negotiated in hard currencies. Prebisch later wrote that "Exchange control was not the result of a theory but was imposed by circumstances."¹³ The Depression thus brought about the abandonment of many hallowed economic doctrines and practices.

In the crisis, Great Britain exploited her monopsonist position against her many suppliers. In general she attempted to purchase less abroad, and thereby got her imports cheaper, despite Britain's own devaluation in 1931.¹⁴ In the case of Argentina, Britain's trading power was magnified by the South American nation's loss of dollar investments. The United States had become a major supplier to Argentina in the mid-1920s, but the latter country, of course, had chronic difficulties in paying directly for U.S. imports with her own noncomplementary exports. Therefore Argentina had depended on U.S. capital exports, but during the Depression, North American lenders disinvested in Argentina.¹⁵ Excluded from the U.S. market by high tariffs and other regulations, and cut off from continental markets as well in the early thirties, Argentine statesmen feared above all the loss of the British market—already partly closed by the Ottawa Conference agreement (1932) among Great Britain and her dominions, several of which were Argentina's export competitors.¹⁶ Britain's trading power was further enhanced by the fact that in these years she bought much more from Argentina than

she sold to her: in the four years 1930–33, Britain took over 40 percent of Argentina's exports, but supplied only about 20 percent of Argentina's imports.¹⁷

Consequently Argentine statesmen and government economists—among them Raúl Prebisch—were willing to enter into the Roca-Runciman Pact of 1933, an arrangement more to Britain's advantage than Argentina's, whereby the U.K. agreed to keep up a certain level of meat purchases in exchange for regular debt service payments and tariff reductions for British manufacturers. Thus beef exports, the traditional preserve of the Argentine oligarchy, were favored over wheat.¹⁸ An agreement in 1936, according to the Argentine economic historians Fodor and O'Connell, was even more favorable to British interests. After war broke out in 1939, the British government played its monopsonistic position to yet greater advantage, in negotiations between the Bank of England and Argentina's Central Bank, led by Raúl Prebisch.¹⁹ One can easily surmise that Argentina's protracted and notorious dependency on her major trading partner left a lasting impression on Prebisch.

It is also worth recalling that the Argentine government made great sacrifices to retain its credit rating by paying its debts; perhaps Argentine statesmen were overly influenced by the smashing success, before the Depression, of export-driven growth. In any case debt payment policies put the country in an unlikely camp. Argentina was one of only three countries in Latin America not to default on international debts during the Depression, and the other two, Haiti and the Dominican Republic, were under direct U.S. fiscal supervision.²⁰ (In later years, Prebisch, who bore partial responsibility in this matter, defended Argentina's debt payment record, indicating that debt repayment affected the availability of credit in the future—or so it seemed in the 1930s.)²¹

The Depression not only brought about bilateral negotiations, but a series of international economic meetings as well. In 1933 Prebisch, as an invitee of the Council of the League of Nations, attended a gathering of the Preparatory Committee of the Second International Monetary Conference in Geneva. From Switzerland Prebisch reported to the *Revista Económica* that the assembled monetary experts believed that one basic blockage in the international economic system derived from the facts that the United States had replaced Great Britain as the world's chief creditor country, and that high American tariff schedules (especially Smoot-Hawley, 1930) did not permit other countries to repay U.S. loans with exports. Consequently the rest of the world tended to send gold to the United States, and the bullion was not recirculated in the international monetary system.²²

Prebisch then went to London to help negotiate the Roca-Runci-

man Pact as a technical advisor; later that year, he attended the World Monetary Conference in the same city. By his own account, Prebisch was influenced by John Maynard Keynes's proposals for that meeting. Keynes, in a set of articles for the London *Times*, recommended his "pump-priming" remedies of deficit spending to increase national income, and thereby to increase employment. Keynes also proposed the creation of an international monetary authority to resuscitate credit for world trade, and it is noteworthy that he made Argentina one of seven countries that would have qualified for the maximum loan of 450 million dollars. (In the next few years Prebisch would become an enthusiastic Keynesian, an influence from which he later sought to free himself.)²³ But the World Monetary Conference broke up in failure, and the tendency toward bilateralism in world trade continued.

Back in Argentina, Prebisch sought to understand another vexing problem wrought by the Depression—declining terms of trade. In 1934 he published an article pointing out that "agricultural prices have fallen more profoundly than those of manufactured goods," and that in 1933 Argentina had to sell 73 percent more than before the Depression to obtain the same quantity of (manufactured) imports. Prebisch furthermore pointed out that in the previous year the nation had to pay double the amount in terms of gold on its fixed foreign debt obligations as it did in 1928, an additional and considerable disadvantage to adverse changes in the country's terms of trade. (In the same article Prebisch attacked as "scholastic" the orthodox equilibrium theories of his senior colleague at the University of Buenos Aires, Professor Luis Gondra, because such doctrines ignored the stubborn fact of sustained depression.)²⁴

Prebisch was a member of an economic "team" groping with the crisis, and recent economic historiography has emphasized that the policies of Federico Pinedo (finance minister, 1933–35 and 1940–41) and his collaborators, including Prebisch, involved extensive governmental intervention in the economy; such innovation occurred despite the oligarchic political cast of the regime from 1930 to 1943 (the "infamous decade" of political history). Not only did the state reform the monetary and banking system through the creation of a central bank and the introduction of exchange controls, but it also intervened in the processing and marketing of Argentine exports, i.e., beef and grain.²⁵ This novel and vigorous activity by the state may have had corporatist as well as neoliberal sources of inspiration, but in this endeavor Argentina was clearly in step with her neoprotectionist trading partner, Great Britain.

At the international level, the state also chose an interventionist course, and in 1933 Prebisch, at Geneva and London, played a leading

role in convincing policymakers of the other three major wheat-exporting countries—the United States, Canada, and Australia—to agree to a plan to cut back production, on terms especially advantageous to Argentina, since it had to make no reduction in acreage sown. But the brief history of the arrangement showed the fragility of such efforts: Argentina, Canada, and the United States all broke the terms of the plan before the end of 1933.²⁶

The return of severe depression in 1937–38, a problem originating in the United States, had its major spread effects in the less-developed agricultural- and mineral-export areas of the world, because Europe and Japan were “pump-priming” through their armaments programs. Wheat was one of the commodities for which prices fell sharply in 1937.²⁷ As other countries introduced new trade controls, so did Argentina, in 1938, in the form of quantitative restrictions on imports. In the next two years, Argentina’s banking officials, among whom was Raúl Prebisch, were trying to keep international credits and debits in balance “in the strictest short-run sense.” Thus trade policy was not yet consciously used to foster industrialization.²⁸

Nevertheless, with sharply restricted export earnings throughout the Depression—the dollar value of Argentine exports in 1933 was one-third the 1929 figure—self-sufficiency in industry was a policy of necessity. Manufacturing in Argentina grew impressively in the 1930s and early 1940s, a fact that was recognized by contemporaries at home and abroad. In particular, the Central Bank’s *Revista Económica* noted an increase in output of 85 percent (by value) between the industrial census of 1913 and that of 1934–35.²⁹ Argentina was experiencing a phase of industrial development common to southern South America, where Chile and Brazil also found themselves in similar situations with the collapse of their export sales. By 1935, a North American economist thought that “There is probably no major section of the world in which there is greater industrial activity relative to pre-depression years than in temperate South America” (i.e., Argentina, southern Brazil, and Chile).³⁰ Industrialization in the face of the Great Depression was a response of agricultural-exporting nations elsewhere too, notably in Eastern Europe. In any case, Argentina’s Central Bank made a sharp break with the past in 1942 by championing industrialization. The Bank’s annual report for that year, reflecting Prebisch’s views, argued that exports and industrial development were by no means incompatible; rather, the issue was to change the composition of imports from consumer to capital goods.³¹

Prebisch the policymaker interests us less than Prebisch the

emerging economic theorist, though the two are hard to separate. In the latter capacity he was beginning to formulate his theory of unequal exchange by 1937. In that year the *Revista Económica* noted:

Manufacturing industries, and therefore industrial nations, can efficaciously control production, thereby maintaining the value of their products at desired levels. This is not the case with agricultural and livestock countries for, as is well known, their production is inelastic on account of the nature [of production] as well as the lack of organization amongst agricultural producers.

In the last depression these differences manifested themselves in a sharp fall in agricultural prices and in a much smaller decline in the prices of manufactured articles. The agrarian countries lost part of their purchasing power, with the resultant effect on the balance of payments and on the volume of their imports.³²

The emphasis was thus on the elasticity of supply of industrial production, and implicitly on monopoly, and not on wage contracts in the industrial countries, which was later to be a focal point of Prebisch's analysis.

In the same comment the *Revista* noted that Argentina's industrial complex made its greatest gains in two periods, World War I, and during "the worldwide recrudescence of the policy of economic self-sufficiency during the years 1929–36."³³ Thus Prebisch seemed to be nearing the view that export-led growth was no longer a viable path to economic development.

Prebisch was also intensively interested in the trade cycle in Argentina. The Central Bank began its effort to conduct countercyclical monetary policy in 1937, by decreasing the public's purchasing power through the sale of bonds in that boom year; in the following period of contraction, it would attempt to expand purchasing power by lowering the rediscount rate.³⁴ In 1939, in its annual report for the previous year, the Central Bank—representing Prebisch's thinking on the matter—argued that the nation's trade cycles were primarily a reflection of those of its principal (industrialized) trading partners. It also held that Argentina's heavy import requirements, combined with internal credit expansion which was triggered by an initial export surplus and which resulted in additional demand for imports, produced a balance-of-payments crisis that occurred repeatedly in the history of the Argentine business cycle.³⁵

After his dismissal from the Central Bank in 1943, Prebisch began to read widely in the recent economic literature.³⁶ Returning for the moment to teaching, he prepared a series of lectures in 1944 in which he referred, for the first time, to "center" and "periphery." He developed a historical argument, with Britain as the nineteenth-century center of the

trading and monetary system based on the gold standard. (Clearly, this was a better model for the first half of the century than the second half, but Britain as center for the whole period fit Argentina's situation well enough.) Under Britain's leadership as the cycle-generating center, Prebisch argued, the world economic system had equilibrated gold flows and the balance of payments over the course of the cycle for both center and periphery. "Gold tended to leave Great Britain, the center of the system, and to enter countries of the periphery in the upswing of the cycle." Then it returned in the downswing. A problem for peripheral countries was that when gold departed in the downswing, ". . . there was no way to diminish the gold flow except by contracting credit. . . . No one could conceive of . . . the possibility of raising the rediscount rate in competition with the monetary center in London." Thus overall monetary stability was only maintained at the cost of economic contraction in the periphery. "The gold standard was therefore an automatic system for the countries of the periphery, but not for the center," where the rediscount rate could be adjusted for domestic needs.

Passing on to the post-World War I years, Prebisch concluded that New York bankers in the 1920s and 1930s did not have the knowledge or experience of the "British financial oligarchy," though of course the world situation was dramatically different after the war. By 1930 the United States had sucked up the world's gold. Consequently, "the rest of the world, including our country, [is] forced to seek a means of inward-directed development (*crecer hacia adentro*)"³⁷—a phrase that ECLA would later make famous.

The Argentine business cycle had depended on exogenous factors operating through the balance of payments. In the upswing exports and foreign investment produced an influx of gold and exchange credits, creating new money and therefore imports. Such changes also expanded credit to the agricultural and pastoral industries; but because of inelastic supply, during the downswing, credit was immobilized in the rural sector. Additional imports were paid for with reserves, producing a monetary crisis.³⁸

In seeking a solution to Argentina's problems, Prebisch began to think in more general terms about Latin America and its relations with the United States; his first concern in that area had involved a plan in 1940 (probably drafted by Prebisch, but presented to congress by Finance Minister Pinedo) "to link the Argentine economy to the surging power of the United States and to growing Latin American markets," in part by exporting manufactures.³⁹

After his dismissal from the Central Bank, Prebisch was twice in Mexico during the mid-forties at the invitation of Mexico's central bank

(Banco de México), which he helped organize. On both occasions he participated in international meetings: once in 1944 at a gathering of intellectuals from Latin America at the Colegio de México on problems the region would face in the postwar era,⁴⁰ and again in Mexico City at an inter-American meeting of central bankers in 1946.

Prebisch's interest in industrialization as a solution to Latin America's economic problems originally arose from a desire, shared by many other Argentine contemporaries, to make Argentina less economically "vulnerable," a vulnerability painfully evident for the whole period 1930–45. As noted above, the Argentine Central Bank, under Prebisch's leadership, had begun to advocate industrialization in its 1942 report. By implication Prebisch was recommending the same policy for other Latin American countries in his Colegio de México lecture in 1944.⁴¹ In his "Conversations" at the Banco de México in the same year, Prebisch again noted that the period of greatest industrial development in Argentina had been the Great Depression and times of world war, periods in which the nation had to produce for itself what it could not import.⁴² Later, ECLA theorists would elaborate extensively on this proposition, as they developed the concept of "inward-directed development."

In a 1944 article in Mexico's *Trimestre Económico*, Prebisch noted that the United States, unlike Argentina, had a low propensity to import (defined as the change in the value of imports generated by a given change in the national product). Since other countries, he implied, had high propensities to import, and the U.S. had replaced Britain as the chief industrial trading partner of the Latin American states, Prebisch expanded on the League experts' argument in 1933 and warned that the postwar international trading system faced the danger of permanent disequilibrium.⁴³

Prebisch first used the terminology center-periphery in print in 1946, at the second meeting mentioned above, that of the hemisphere's central bankers, who convened at the invitation of the Banco de México. Prebisch now identified the United States as the "cyclical center" and Latin America as the "periphery of the economic system." The emphasis, as indicated, was on the trade cycle, whose rhythms the U.S. economy set for the whole international system. Fiscal and monetary authorities in the United States could pursue a policy of full employment without producing monetary instability, Prebisch argued; furthermore, such authorities did not need to be especially concerned about the impact of full employment policies on the exchange rate of the dollar in other currencies. By contrast, Prebisch asserted, the nations of the periphery could not apply the same monetary tools as the center. Extrapo-

lating from his 1944 argument with reference to Argentina, Prebisch contended that the money supply in peripheral countries could not be expanded in pursuit of full employment, because such a measure would quickly exhaust foreign exchange (implicitly because the new money put too great a pressure on imports, assuming no devaluation).

This 1946 statement and previous writings of Prebisch implied that peripheral countries faced three options, all with unacceptable consequences: they could have strong currencies and maintain high levels of imports at the cost of high unemployment; they could fight unemployment with an expansionist monetary policy but would thereby create inflation and decrease their ability to import, because of a fall in the exchange value of their currencies; or, if they used monetary policy to maintain high levels of employment, but failed to devalue, their reserves would disappear. When prices of the periphery's products fell during the downswing of the cycle, furthermore, governments of peripheral countries, at least in isolation, could not affect world prices for their goods as the center could for its goods. Thus equilibrium theories in international trade were not acceptable.⁴⁴ This was a direct assault on the "economic science" of the industrialized countries.

Back in the classroom in Buenos Aires in 1948, Prebisch specifically attacked the theory of comparative advantage, and noted that its precepts were repeatedly violated by the industrialized nations, whose economists nonetheless used classical trade theory as an ideological weapon. He also implied that industrial countries acted as monopolists against agricultural countries in the trading process. Prebisch then asserted that historically, in both the United States and Britain, technological progress did not result in a decrease in prices, but in an increase in wages. "The fruit of technical progress tend[ed] to remain in Great Britain" in the nineteenth century; yet, because Britain had sacrificed its agriculture, part of the benefits of technological progress had been transferred to the "new countries" in the form of higher land values. Britain's nineteenth-century import coefficient (defined as the value of imports divided by real income) was estimated by Prebisch as 30–35 percent, whereas that of the U.S. in the 1930s was only about 5 percent. All of this implied a blockage to growth for the agricultural-exporting periphery under the new largely self-sufficient center.⁴⁵

This center-periphery theory even *in nuce* implied a single system, hegemonically organized. Though the term "hegemony" did not appear in this early use of center-periphery terminology, Prebisch himself, years later, would specifically employ the word to characterize relations between the two elements of the world economy.⁴⁶ To appreciate the significance of the terms we should bear in mind that the idea that

there was something fundamentally different about the economies of the “retarded regions”⁴⁷ was still novel in the 1940s. The concept of “underdevelopment” as a syndrome was only elaborated in that decade, chiefly after the creation of specialized United Nations agencies in 1947–48.* The euphemisms “developing countries” and “less developed countries,” were still in the future.⁴⁸ While a few Marxists and others preferred to employ “backward” rather than “underdeveloped,” even “backward” among these non-center-periphery terms did not in itself imply hegemony; nor did “backward” necessarily put the central emphasis on the international capitalist system. Rather, such a concept could imply that the problem was largely one of leads and lags—the modernization thesis in its ahistorical setting.⁴⁹

Despite the fact that some of the key ideas of Prebisch’s later analysis were set forth in international meetings in 1944 and 1946, there was no discussion on these occasions of an Economic Commission for Latin America, the U.N. agency that was subsequently to be Prebisch’s principal theoretical and ideological vehicle. Rather, it resulted from a Chilean initiative in 1947 at U.N. headquarters in Lake Success, New York. The founding of ECLA and the struggles involved in that effort have been related in several places,⁵⁰ and need not detain us here. The agency was approved by the U.N. Economic and Social Council in February 1948, and ECLA held its first meeting in Santiago, Chile, in June of that year. Alberto Baltra Cortés, the Chilean Minister of the Economy, presided at the occasion. At the opening session Baltra stressed Latin America’s need to industrialize, an attitude to which representatives of the United States and the European colonial powers professed not to object. Prebisch’s ideas were already familiar to the Chilean leaders, and for the future of ECLA, or at least its most famous thesis, the chief outcome of the meeting was a resolution calling for a study of Latin America’s terms of trade.⁵¹

*The early theory of unequal exchange was of course part of a larger problem of economists’ and demographers’ recognition of underdevelopment and the “population explosion” in the years after the War; such recognition was inevitably influenced by the Cold War, decolonization, new nationalisms, neutralism, and the rise of a host of U.N. and other international agencies. The Third World—including the perception of its inhabitants’ common interests against the West—was in most respects reified in the years between the end of the War and the Afro-Asian Conference at Bandung in 1955. In particular, the demographer and economic historian Alfred Sauvy coined the term “Tiers Monde” in 1952 on the model of the Abbé Sieyès revolutionary Tiers État of 1789, and the journal *Tiers Monde* and a collection of essays with the same title appeared in 1956. (*L’observateur*, 14 Aug. 1952, p. 5; Sauvy to author, Paris, 15 Dec. 1978.) But Latin America, where center-periphery theory was born, was not generally considered part of the Third World until after the Cuban Revolution (1959).

But ECLA was not yet ECLA, without Prebisch's leadership. His personality, theses, and programs so dominated the agency in its formative phase that it stood in sharp relief to the Economic Commission for Asia and the Far East (established in 1947) and the Economic Commission for Africa (1958), agencies with more purely technical orientations.⁵² The year of ECLA's founding, 1948, seemed propitious for obtaining Prebisch's services: in Perón's Argentina he was excluded from official posts, perhaps because of his long and close association with the nation's traditional economic elite.⁵³ Meanwhile, his reputation as an economist in Latin America had been enhanced by the publication in Mexico of his *Introducción a Keynes* (1947).

Prebisch turned down the first offer to direct ECLA in 1948, because he feared an international organization like the U.N. would not permit underdeveloped countries to analyze economic problems from their own perspectives; in this regard, he had in mind the League of Nations' lack of interest in underdeveloped areas.⁵⁴ A few months later, however, he was again invited to go to Santiago to work on special assignment as editor and author of the introduction to an economic report on Latin America, authorized at the initial ECLA meeting. In Santiago Prebisch also elaborated his theses on the deterioration of the terms of trade in *The Economic Development of Latin America and Its Principal Problems*, published in Spanish in May 1949, and dubbed the "ECLA Manifesto," in an obvious allusion to the *Communist Manifesto*, by economist Albert Hirschman.⁵⁵ Prebisch implicitly already had his opinions about the direction of Latin America's long-range terms of trade, since he had argued in the classroom in 1948 that the benefits of technological progress were absorbed by the center. Now, a new study by the U.N. Department of Economic Affairs, *Relative Prices of Exports and Imports of Underdeveloped Countries*, provided an empirical foundation for his thesis. This work was an examination of long-term trends in relative prices in the goods traded by industrialized and raw materials-producing countries, and concluded that the terms of trade from the late nineteenth century till the eve of World War II had been moving against the exporters of agricultural goods and in favor of the exporters of industrial products: "On the average, a given quantity of primary exports would pay, at the end of this period, for only 60 percent of the quantity of manufactured goods which it could buy at the beginning of the period."⁵⁶

ECLA explained this finding in part by arguing that gains in productivity over the period in question were greater in industrial than in primary products, thus challenging basic assumptions of the theory of comparative advantage. If prices of industrial goods had fallen, this

development would have spread the effects of technical progress over the entire center-periphery system, and one would expect the terms of trade for agricultural goods to have improved. They did not do so; and the significance of this fact, ECLA asserted, had to be understood in terms of trade cycles. During the upswing, the prices of primary goods rise more sharply than those of industrial goods, but they fall more steeply during the downswing. In the upswing the working class of the center absorbs real economic gains, but wages do not fall proportionately during the downswing. Because workers are not well organized in the periphery (least of all in agriculture), the periphery absorbs more of the system's income contraction than does the center.⁵⁷

Another initial ECLA argument grew out of Prebisch's observations on Argentina's import problems in the 1930s. The United States, the principal cyclical center, had a much lower import coefficient than export coefficient, and the former was also much lower than those of the Latin American countries. The U.S. tended to sell more to Latin America than it bought from the region, exhausting Latin American reserves and creating a tendency toward permanent disequilibrium. Such a tendency had not existed, ECLA averred, during the time in which import-hungry Great Britain had been the principal center.⁵⁸

In an article published in 1950, the year after the ECLA manifesto, another United Nations economist, Hans Singer, argued that technical progress in manufacturing was shown in a rise in incomes in developed countries, while that in the production of food and raw materials in underdeveloped countries was expressed in a fall in prices. He explained the differential effects of technical progress in terms of different income elasticities of demand for primary and industrial goods—an extrapolation of Ernst Engel's law that the proportion of income spent on foods falls as income rises—and in terms of the "absence of pressure of producers for higher incomes" in underdeveloped countries. Since consumers of manufactured goods in world trade tended to live in underdeveloped countries and the contrary was true for consumers of raw materials, Singer continued, the latter group had the best of both worlds while the former had the worst.⁵⁹ This idea was linked to Prebisch's and the two men's theories were quickly dubbed the Prebisch-Singer thesis, though both economists state that there was no direct exchange of ideas at the time the related sets of propositions, based on the same U.N. data, were developed.⁶⁰ (Prebisch of course was in Santiago, and Singer in New York.) Since ECLA's *Economic Development* appeared in print in May 1949, more than six months before Singer presented his American Economic Association paper (published in 1950), Prebisch clearly seems

to have reached his position earlier than Singer; in fact, the U.N. study simply bolstered conclusions he had already reached.

By 1951, the year that ECLA became a permanent organ of the United Nations, the agency's emphasis had shifted from import coefficients to disparities in income elasticities of demand at the center for primary products, and those at the periphery for industrial goods.⁶¹ This adoption of Hans Singer's terms was significant, because it dealt with the center countries as a group and not just the United States, which had unusually low import requirements because of its tremendous agricultural output.

But Prebisch and the ECLA team he organized were also interested in another dimension of the problem—monopolistic pricing at the center. The original analysis in 1949–50 laid much more emphasis on the rigidity of wages in the downward phase of the cycle than on monopolistic pricing as such, but the latter argument was there.⁶² In any event, both phenomena were assumed to be nonexistent in neoclassical trade theory. Peripheral countries did not have monopolies on the goods they offered in the world market (with rare and temporary exceptions) just as they lacked well-organized rural labor forces that would resist the fall in wages during the downswing of the cycle.

Samir Amin sees the emphasis on the rigidity of the center's wage bill as a significant difference between the arguments of Prebisch and Singer, who focused on the differences in demand for agricultural and industrial products. (Amin immediately follows up his approval of Prebisch's thesis on wages by adding to it the argument that "It was monopoly [after 1880–90] that made possible the rise in wages" in the industrialized center.⁶³*)

Attacking the international division of labor, as ECLA did from 1949 on, entailed a call for the rapid industrialization of the periphery, but ECLA's "manifesto"—admittedly, without elaboration—also called for international agreements for price protection for primary products during the downswing of the trade cycle.⁶⁴ In this regard ECLA fol-

*Celso Furtado, a veteran *cepalista* and one of the most creative minds on Prebisch's team, later offered a different, *marxisant* explanation of labor's role in the "stickiness" of center export prices: in industrial economies, class struggle is the basis for capitalist growth; workers' organizations seek to expand labor's share of the national product, while in underdeveloped countries this does not occur because labor (and especially agricultural labor) is disorganized, and the supply of labor is extremely wage-elastic. *Diagnosis of the Brazilian Crisis*, tr. Suzette Macedo (Berkeley, Calif.: University of California Press, 1965), pp. 48–51, 61. (Presumably ECLA never vigorously promoted rural labor organization because of the immense social and political problems this policy would have encountered, including the probable hostility of many member states of the Commission.)

lowed a recent U.N. effort to establish an International Trade Organization. The idea of commodity price stabilization at the international level had been discussed at the Bretton Woods Conference (1944), a meeting which resulted in the creation of the International Bank for Reconstruction and Development and the International Monetary Fund. In 1947–48 a special U.N. conference at Havana established an International Trade Organization, whose principles included intergovernmental action to prevent violent price fluctuations in primary commodities. The U.S. Congress ultimately failed to approve the ITO, which consequently did not become part of the international monetary system.⁶⁵ Thus a program of price stabilization for primary commodities, which implicitly included the idea of countermonopoly against the industrialized countries, was taken up by ECLA in 1949. (This was a line of argument that would be elaborated by the U.N. Conference on Trade and Development after Prebisch became its first director in 1963).

Having examined ECLA's early development in terms of Prebisch's experience in the 1930s and 1940s, we must also ask: to what degree did the original ECLA doctrines of 1949 draw on earlier economic theories? I wish to cast a glance at some possible sources of inspiration.

To begin with, let us note that classical mercantilist doctrine prescribed selective industrial development. Mercantilism was less a coherent body of doctrine than a rough-and-ready set of policies to strengthen the state—there was as yet no distinction between political economy and “economics” as an analytical discipline—but seventeenth- and eighteenth-century statesmen tried to promote industry for the ends of their governments. In Portugal, for instance, two ministers, Ericeira (1675–90) and Pombal (1750–77) attempted to establish certain industries in order to reduce imports, and thereby to reduce dependence on Britain. After mercantilism had fallen victim to Adam Smith's attack in *Wealth of Nations* (1776), Alexander Hamilton's *Report on Manufactures* (1791) and Friedrich List's *National System of Political Economy* (1841) proposed the creation of tariff walls to develop national industry. List was much more the theorist, of course, and his work became the ideological pillar of the Zollverein. In particular, List was the father of the “infant industry” argument that high initial costs of production could be reduced over the longer run through economies of scale and external economies.

Within Argentina, an advocate of industrialization in the 1920s (an era of rising income and rising imports) was Alejandro Bunge. Like mercantilist statesmen, Bunge defended industrialization as a policy of reducing imports to relieve pressure on the balance of payments, but he

viewed industrialization as a complement to export-driven growth, not as a substitute for it.⁶⁶

During the interwar years the self-perceived underdeveloped countries were the succession states of the Austrian Empire, and the Balkan countries in general. Governments of Central and Eastern European countries, many of them agricultural exporters, consciously tried to develop manufacturing during the Depression decade.⁶⁷ And, as the economist Harry Johnson has noted, these nations produced a number of economists—Mandelbaum, Kaldor, Balogh, and Rosenstein-Rodan—whose writings became part of mainstream economic development theory after World War II. Their common theme was the need for industrialization, and their model was implicitly Germany.⁶⁸

Within Eastern Europe, Rumania in particular was the scene of spirited debates on economic development in the 1920s. Stefan Zeletin, one Rumanian theorist, advocated a program of industrial development based on a “closed” economy modeled on List’s *National System*.⁶⁹ More extreme in his program for closing the economy to foreign trade in the short and middle terms was Mihail Manoïlesco. Certain resemblances between the ECLA doctrine and that of Manoïlesco were noted by Jacob Viner, the neoclassical trade theorist, almost immediately after the appearance of the ECLA “manifesto” in 1949. A generation later the political scientist Philippe Schmitter wrote that “In essence and embryo, Manoïlesco anticipated the central arguments and even many of the specific points of what . . . later came to be known as the ECLA . . . Doctrine. . . .”⁷⁰ Thus the Rumanian’s work merits our close attention.

Manoïlesco’s most important study, *Théorie du protectionnisme* (1929), quickly appeared in several European languages, including a Portuguese edition published in São Paulo in 1931. In this and a subsequent work, *Le siècle du corporatisme* (1934), Manoïlesco—like Prebisch, a central banker—made a frontal attack on the existing international division of labor, and held that productivity in “agricultural” countries was intrinsically inferior to that in “industrial” countries. (The distinction between the two was determined by the composition of their exports.) The Rumanian did not hesitate to call agricultural countries “backward” (*pays agricoles et arriérés*), contending that excess labor in agriculture in such nations should be transferred to industrial activities. This argument was later made by ECLA economists—but one must note, it was also put forth by other theorists.⁷¹

Manoïlesco denounced the international division of labor and the classical theories of trade that recommended to agricultural nations that they continue to channel their population into areas of what he considered inherently inferior productivity. In a vulgarized version of his

argument in *Le siècle du corporatisme*, Manoïlesco asserted that the average industrial worker produces ten times the value of an agricultural worker, and that agricultural countries “are poor and stay poor,” as long as they do not industrialize. Thus the international division of labor was basically a swindle: classical international trade theory “justified” the exploitation of one people by another.⁷²

Using the United States as an example for the years 1880 to 1910, Manoïlesco made an argument similar to one of Prebisch’s, viz., that production in an industrialized economy tends to rise more rapidly than that country’s international trade.⁷³ This contention seems to be a close cousin of the argument that the United States had a low propensity to import, though Prebisch was pointing out a *peculiarity* of the American economy and not generalizing about the process of industrialization.

I am not suggesting that Prebisch was directly influenced by Manoïlesco, and I found no reference to the Rumanian economist’s works in Prebisch’s early writings. Prebisch in 1977 confirmed the absence of such an influence, though the *Revista de Ciencias Económicas*, the journal of the economics department of the University of Buenos Aires (where Prebisch was a sometime professor), printed articles in the latter thirties in which Manoïlesco’s theories were discussed.⁷⁴ Hence we may assume Prebisch at the time was familiar with Manoïlesco’s work.

Manoïlesco differed sharply with Prebisch and ECLA on one critical point, viz., his assertion that, as the process of industrialization spread from one country to another, there was a long-term tendency for the prices of raw materials and agricultural products to rise, relative to prices of industrial goods.⁷⁵ Furthermore, Manoïlesco did not view the problem of international trade as one of monopolistic pricing at the center. In addition, we may note that Manoïlesco prescribed a closed economy, whereas Prebisch’s would always remain partly open, given the critical role of capital goods imports. Finally, Manoïlesco’s state, having full control of the economy, was at least potentially totalitarian, whereas Prebisch’s was a variant of the liberal state of the postdepression era. Nonetheless, Manoïlesco’s ideas—in the Latin American circles where they were known—probably helped pave the way for the acceptance of ECLA doctrines when they appeared in 1949.

For lack of evidence we must reject any direct influence on Prebisch of Manoïlesco or twentieth-century Marxists, some of whom—notably Constantin Dobrogeanu-Gherea and Evgeni Preobrazhenski—offered several propositions roughly analogous to those of ECLA.⁷⁶ Yet we must note that Raúl Prebisch was not the first researcher to use the terms center and periphery to describe the modern capitalist system. Rather it was Werner Sombart who, in the last part of his multivolume opus *Der*

Moderne Kapitalismus (rev. ed., 1928), wrote that "We must . . . distinguish a capitalist center—the central capitalist nations—from a mass of peripheral countries viewed from that center; the former are active and directing, the latter, passive and serving. England constituted the capitalist center in the first half of the nineteenth century; later, in the longer period of High Capitalism,* Western Europe [joined England]. . . . Finally, in the last generation, the eastern part of the United States has moved up [to the center]."77

Sombart also wrote of the "dependency" of peripheral countries, and even of the servitude of the peasantry of the periphery, in part caused by Western European capitalism.⁷⁸ But he did not provide any theory of relations between center and periphery; in particular, he offered no analysis of the relation between business cycles and the international distribution of income. Prebisch does not recollect acquaintance with Sombart's passage at the time of his initial use of the terms center and periphery;⁷⁹ but even if he was inspired indirectly, Prebisch would owe little more than an arresting phrase, since Sombart only used center and periphery in a few scattered paragraphs.

In any case, ECLA's theses, from their initial appearance in 1949, were hotly contested by neoclassical trade theorists, such as Jacob Viner. As Albert Hirschman has recently pointed out, the economics profession had just been treated to a formal demonstration by Paul Samuelson in 1948–49 that, under certain conventional (but unrealistic) assumptions, trade could serve as a complete substitute for the movement of factors of production from one country to another, indicating that international trade could potentially equalize incomes among nations. Thus the less rigorous (but much more realistic) arguments of Prebisch and Singer burst upon the scene just after Samuelson had raised neoclassical trade theory to new heights of elegance, and against this theory the new ideas would have to struggle.⁸⁰ Looking back on the problem in the late 1970s, and possibly referring to Viner, Prebisch recalled "a sense of arrogance toward those poor underdeveloped economists of the periphery."⁸¹ In particular, ECLA's intellectual adversaries attacked the idea of a long-term deterioration of the terms of trade for primary producers. Although

*Sombart's division of the history of capitalism into "early," "high," and "late" phases—apparently drawn from the periodization of the Middle Ages—has found a certain currency among Marxists; e.g., *Late Capitalism* is the title of a recent book by Ernest Mandel. For a brief survey of Sombart's views on the history of capitalism, see his article "Capitalism" in the *Encyclopedia of Social Sciences* (vol. 3, pp. 195–208), where he also lays claim to being the first writer to use "capitalism" to describe a historical economic system. Sombart's work has perhaps been neglected because of his acceptance of the Nazi regime in the 1930s.

Prebisch's original data base (the U.N. study, *Relative Prices*) has been largely discredited, this debate is still very much alive.⁸²

Meanwhile, since its birth in the 1940s, the influence of Prebisch's center-periphery analysis has been vast and diffuse. Elsewhere I have tried to show, in brief compass, how ECLA helped shape the radical theses of unequal exchange in the work of André Gunder Frank, and partly through him, the work of Samir Amin.⁸³ Of Prebisch himself, Amin wrote, at the end of *Accumulation on a World Scale*:

There can be no doubt that the first edition [of this work] did not do justice to the debt I owe, along with all concerned with nonapologetic study of underdevelopment, to the Latin American writers on the subject. Raúl Prebisch took the lead in this field, and I have shown in this book that the theory of unequal exchange was founded by him, even if the conjunctural context in which he set it, in his first version, has lost its significance. It is also to the United Nations Economic Commission for Latin America, of which he was the moving spirit, that I owe the essence of the critical theory to which I adhere, for it was this Commission that led the way in the reflections from which all the present currents in Latin American thinking on these matters have developed. . . .⁸⁴

In *Accumulation*, Amin repeatedly condemns "economism," an indifference in Western economic analysis to social and political contexts at a theoretical level; and it is interesting that a recent internal history of ECLA makes a similar point about its own work, even though the agency's "structural" analysis went far beyond its "monetarist" opponents in distinguishing the unique features of peripheral economies.⁸⁵ This is a criticism that Prebisch himself has taken seriously in recent writings; he notes, for example, that the interests of the upper strata of the periphery are closely linked to those of the center—a point the Comintern had made, in different phraseology, half a century earlier.⁸⁶ Prebisch's current analysis hardly converges with that of more radical theorists, but it does seem closer: he makes clear his belief that the center(s) exploit the periphery, and he now speaks of an economic surplus which the periphery in part exports to the center. He places more emphasis on inherent monopolistic relationships than he formerly did, arguing that "some price relationships have always been unfavorable, ever since the periphery was incorporated into the international economy."⁸⁷ This judgment clearly demotes the trade cycle as a mechanism for withdrawing income from the periphery. Prebisch now rejects the consumption-oriented society of the "center type" in favor of "democratization" of peripheral areas, a process which depends on a sharp increase in capital accumulation and a "modification" (but not transformation?) of the distribution of income.⁸⁸ Yet Prebisch still has little to say, it seems, about the political means whereby the world economic system might be restructured.

In this essay I have described how Raúl Prebisch formulated a thesis of unequal exchange over the course of two decades of involvement in economic and financial policy. I have shown that Prebisch came to reject the thesis of comparative advantage via his partial rejection, in the context of peripheral economies, of the monetary and banking policies of Keynes. I have argued that relatively little of the center-periphery thesis was derived or borrowed from other writings, and that it owed more to empirical observation and experimentation than to Prebisch's reading of other theorists—Marxist, corporatist, Keynesian, or neoclassical. Not paradoxically, I hope, I have also argued that Prebisch had formulated the elements of his thesis before the appearance, in 1949, of the empirical base on which the thesis rested in its first published form—the U.N. study, *Relative Prices*.

Although there were a few other economists from the Third World who made important contributions to development theory in the early postwar years (e.g., Hla Myint and Arthur Lewis), Prebisch was probably the only one exclusively trained in, and residing in, a Third World area; he was also the only one directing an institutional forum that could be construed as a distinctive Third World voice. Thirty years later Prebisch's views are still evolving; but whatever his final position, he has surely won himself a place of eminence in the history of the theory of imperialism—even if "imperialism" is not part of the ECLA vocabulary.

NOTES

1. See Arghiri Emmanuel, *Unequal Exchange: A Study of the Imperialism of Trade* (New York: Monthly Review Press, 1972), p. 263 ("center-periphery"); Andre Gunder Frank, *Capitalism and Underdevelopment in Latin America: Historical Studies of Chile and Brazil*, rev. ed. (New York: Monthly Review Press, 1969), p. 8 ("metropolis-satellite"); Immanuel Wallerstein, "The Rise and Future Demise of the World Capitalist System: Concepts for Comparative Analysis," *Comparative Studies in Society and History* 16, 4 (Sept. 1974), p. 401 ("core-semiperiphery-periphery"); Johan Galtung, "A Structural Theory of Imperialism," *Journal of Peace Research*, no. 2 (1971), p. 81 ("center-periphery").
2. Celso Furtado, *Economic Development of Latin America: A Survey from Colonial Times to the Cuban Revolution*, tr. Suzette Macedo (Cambridge: Cambridge University Press, 1970), p. 192 (CACM), p. 208 (Kubitschek); Luis di Marco, "Introduction," in di Marco, ed., *International Economics and Development: Essays in Honor of Raúl Prebisch* (New York: Academic Press, 1972), p. 11 (LAFTA); Jerome Levinson and Juan de Onís, *The Alliance that Lost Its Way* (Chicago: Quadrangle, 1970), pp. 39–40, 72 (Alliance). Furthermore, in 1954 the *cepalista* economist Celso Furtado applied Prebisch's argument on international terms of trade to problems of interregional trade in Brazil, and thereby helped justify the creation of the Superintendency of Development of the Northeast (SUDENE). A similar analysis of the Northeast's terms of trade was made independently and more or less simultaneously by Hans W. Singer, whose theories on international trade paralleled Prebisch's (see below).
3. Brazilian Embassy, Washington, D.C., *Boletim Especial*, no. 31, 21 June 1977, p. 1.

4. In 1918, Luis Gondra introduced South America's first course in mathematical economics at the University of Buenos Aires. Gondra et al., *El pensamiento económico latinoamericano* (México: Fondo de Cultura Económica, 1945), p. 32.
5. Prebisch interview, Washington, D.C., 10 July 1978.
6. Prebisch, *Anotaciones demográficas a propósito de los movimientos de la población* (Buenos Aires: n. pub., 1926), p. 3.
7. Duhau, "Prólogo," in Prebisch, ed., *Anuario de la Sociedad Rural Argentina*, no. 1 (Buenos Aires: Gotelli, 1928), p. vii.
8. Among other works, Prebisch's articles in the 1920s published in the *Revista de Ciencias Económicas* include "1^a conferencia financiera internacional de Bruselas" (1921); "Anotaciones sobre nuestro medio circulante" (1921–22); "Anotaciones sobre la crisis ganadera" (1922); "La caja internacional de conversión" (1923); and "El régimen de pool en el comercio de carnes" (1927).
9. *Who's Who in the United Nations and Related Agencies* (New York: Arno Press, 1975), pp. 455–56; Prebisch, "Versión taquigráfica de la conferencia de prensa . . . 15 de noviembre de 1955," pp. 23–24 (Prebisch file, ECLA, Santiago, Chile); Carlos F. Díaz Alejandro, *Essays on the Economic History of the Argentine Republic* (New Haven, Conn.: Yale University Press, 1970), p. 97; Banco Central de la República Argentina, *La creación del Banco Central y la experiencia monetaria argentina entre los años 1935–1943* (Buenos Aires: [Banco Central], 1972), 1:267 et seq. The last-named work details the differences in the Niemeyer plan and that actually adopted by the Argentine government. (Niemeyer was also an advisor to Brazil, another major recipient of British capital, and played a similar role on the east coast of South America that the American financial advisor, Edwin Kemmerer, did on the west coast—where U.S. investment predominated.)
10. For example, see Richard E. Caves and Ronald W. Jones, *World Trade and Payments: An Introduction*, 2d ed. (Boston: Little, Brown, 1977), pp. 12, 109. For another summary, see Fernando H. Cardoso, "The Originality of a Copy: CEPAL and the Idea of Development," *CEPAL Review* (2d half of 1977, [UN: ECLA]), 4, pp. 9–10.
11. Díaz Alejandro, *Essays*, p. 2.
12. Rodolfo Puiggrós, *Historia crítica de los partidos políticos argentinos* (Buenos Aires: Editorial Argumentos, 1956), p. 276; Peter H. Smith, *Politics and Beef in Argentina: Patterns of Conflict and Change* (New York: Columbia University Press, 1969), pp. 52, 74–75. As late as 1940, Finance Minister Federico Pinedo had to defend the promotion of industrial production before the Argentine Senate by distinguishing between "natural" industries, for which the nation had the necessary raw materials, and "artificial" industries, for which it lacked inputs. Javier Villanueva, "Economic Development," in Mark Falcoff and Ronald H. Dolkart, eds., *Prologue to Perón: Argentina in Depression and War: 1930–1943* (Berkeley: University of California Press, 1975), p. 78. All the same, the country's tariff structure was so complex (confused?) that Díaz Alejandro believes that "on balance protectionist and revenue considerations prevailed" over free trade sentiment between 1906 and 1940 (*Essays*, p. 307). Perhaps no one in the period understood the net effects of the tariff system; in any event, revenue may have been the primary motive for tariff levels, and from 1916 to 1930, Radical governments favored the Sociedad Rural over other groups in their tariff policy. (On the last point, see Carl Solberg, "The Tariff and Politics in Argentina: 1916–1930," *Hispanic American Historical Review* 53, 2 [May 1973], p. 284.)
13. Charles P. Kindleberger, *The World Depression: 1929–1939* (London: Penguin, 1973), pp. 102, 104; ECLA, *The Economic Development of Latin America and Its Principal Problems* (Lake Success, N.Y.: United Nations, 1950), p. 29.
14. Kindleberger, *World Depression*, p. 181.
15. Jorge Fodor and Arturo A. O'Connell, "La Argentina y la economía atlántica en la primera mitad del siglo XX," *Desarrollo Económico* 13, 9 (Apr.–June, 1973), pp. 18, 30.
16. D. M. Phelps, "Industrial Expansion in Temperate South America," *American Economic Review* 25 (1935), pp. 273–74.

17. Data in Vicente Vázquez-Prasedo, *Crisis y retraso: Argentina y la economía internacional entre las dos guerras* (Buenos Aires: EUDEBA, 1978), pp. 253, 272.
18. Fodor and O'Connell, "La Argentina," pp. 52–54. Britain was to eliminate tariffs on cereal imports, but the emphasis was on beef. Argentina also agreed to spend all sterling sums earned in trade with the United Kingdom. Villanueva, "Economic Development," pp. 65–66. On the negotiations, see Joseph S. Tulchin, "Foreign Policy," in Falcoff and Dolkart, *Prologue to Perón*, pp. 91–98.
19. When the War began in September 1939, a secret pact between the Bank of England and Argentina's Central Bank established that the South American nation would accept sterling for its sales to Britain, and that this money would be used exclusively for paying for British exports to Argentina or to buy back Argentine bonds and purchase British-owned railways. That is, the sterling was held in a blocked account that could not be converted into other currencies, and would constitute payments in a captive export market for British goods after the War. No interest was to be paid on this account, and Britain did not have to use its precious dollars, which Argentina sorely needed. According to Fodor and O'Connell, "During this period [and for a time after the 1943 coup] . . . Argentina did not use its sterling to liquidate its foreign debt nor to buy up [British-owned] railroads, with the result that while Argentina's debts to Britain paid interest, British debts to Argentina did not." (Argentina was apparently willing to accept the lopsided pact of 1939 because of the collapse of cereal prices again at the outset of the War, and the probable loss of her remaining continental markets as the conflict developed.) Even in the postcoup years (i.e., after Prebisch left the Central Bank), the pro-Axis government continued to bow to the economic demands of Britain, for fear of losing its only large market. Fodor and O'Connell, "La Argentina," pp. 56 (quotation), 57, 59.
20. ECLA, *External Financing in Latin America* (New York: U.N., 1965), p. 25. Argentina did default on some of its nonfederal debts.
21. Prebisch, "Versión," p. 28; Prebisch interview.
22. Prebisch, "La conferencia económica y la crisis mundial," in [Banco de la Nación Argentina], *Revista Económica* 61, 1 (Jan. 1933), pp. 1, 3.
23. Prebisch interview; Keynes, *The Collected Writings of John Maynard Keynes* 9 (London: Macmillan, 1972), pp. 335–66, esp. 360.
24. Prebisch, "La inflación escolástica y la moneda argentina," *Revista de Economía Argentina*, año 17, no. 193 (July 1934), pp. 11–12; no. 194 (Aug. 1934), p. 60. Later it was discovered that the purchasing power of Argentina's exports fell by about 40 percent between 1925–29 and 1930–34. Between these two periods the capital flow was also severely curtailed, so Argentina's capacity to import fell in 1930–34 to 46 percent of what it had been in the preceding five years. Aldo Ferrer, *The Argentine Economy*, tr. Marjory M. Urquidí (Berkeley: University of California Press, 1967), p. 162.
25. See Villanueva, "Economic Development"; Díaz Alejandro, *Essays*, pp. 94–105; Vázquez-Prasedo, *Crisis y retraso*, pp. 137–86; and in particular, Roger Gravil, "State Intervention in Argentina's Export Trade between the Wars," *Journal of Latin American Studies* 2, 2 (1970), pp. 147–73; and Rafael Olarra Jiménez, *Evolución monetaria argentina* (Buenos Aires: EUDEBA, 1968), pp. 83–99 and *passim*.
26. Gravil, "State Intervention," p. 171; Wilfred Malenbaum, *The World Wheat Economy: 1885–1939* (Cambridge, Mass.: Harvard University Press, 1953), pp. 205–9. A statement by Prebisch on Argentina's role is found in an interview he gave during the Roca-Runciman negotiations in London. See *La Prensa*, 9 Feb. 1933, p. 9.
27. Kindleberger, *World Depression*, pp. 278–79.
28. Walter Beveraggi-Allende, "Argentine Foreign Trade under Exchange Control" (Ph.D. thesis, Harvard University, 1952), pp. 219 (quotation), 246.
29. Phelps, "Industrial Expansion," p. 274; *Economic Review* [i.e., English ed. of *Revista Económica*], series 2, 1, no. 1 (1937), p. 69.
30. Phelps, "Industrial Expansion," p. 281.
31. Banco Central de la República Argentina, *Memoria . . . 1942* (Buenos Aires: Banco Central, 1943), pp. 30–31.

32. *Economic Review*, series 2, 1, no. 1 (1937), pp. 26–27.
33. *Ibid.*, p. 69.
34. Olarra Jiménez, *Evolución*, p. 13.
35. Banco Central, *Memoria . . . 1938* (Buenos Aires: Banco Central, 1939), pp. 5–8; Prebisch to author, Washington, D.C., 9 Nov. 1977. In 1945 the *Federal Reserve Bulletin* came to a similar conclusion about Argentina's recent economic history. Using that country to illustrate Latin America's problems, the *Bulletin* noted the country's rapid industrial expansion between 1940 and 1944 through import substitution; but it also pointed out the high export to national income ratio in Argentina, making the economy sensitive to international cyclical movements. The journal concluded that Latin America's monetary authorities could not control central bank reserves or changes in credit based on them: "Thus every surplus in the balance of payments tended to bring about a multiple expansion, and every deficit a multiple contraction, in the total money supply." See "Monetary Developments in Latin America," *Federal Reserve Bulletin* 31, 6 (June 1945), pp. 523–25.
36. Prebisch interview.
37. Prebisch, "La moneda y los ciclos económicos en la Argentina" [class notes by assistant, approved by Prebisch], 1944, pp. 61–65, mimeo. Located at Facultad de Ciencias Económicas, Universidad de Buenos Aires.
38. Prebisch, "La moneda," summarized in Olarra Jiménez, *Evolución*, p. 76.
39. Villanueva's words quoted, p. 78. On Prebisch as probable author of Pinedo's plan, see Díaz Alejandro, *Essays*, p. 105, note 37.
40. At the same time Prebisch gave a series of lectures at the Banco de México on "the Argentine monetary experience (1935–1943)," i.e., covering the period in which he was the Director-General of the Central Bank. See Banco Central, *La creación* 1:249–588; 2:599–623.
41. "El patrón oro y la vulnerabilidad económica de nuestros países" [a lecture at the Colegio de México], *Revista de Ciencias Económicas*, año 32, serie 2, no. 272 (Mar. 1944), p. 234; Banco Central, *Memoria . . . 1942*, p. 30.
42. Prebisch, "Análisis de la experiencia monetaria argentina (1935–1943)" in Banco Central, *La creación* 1:407.
43. Prebisch, "Observaciones sobre los planes monetarios internacionales," *El Trimestre Económico* 11, 2 (July–Sept. 1944), pp. 188, 192–93.
44. Prebisch, "Panorama general de los problemas de regulación monetaria y crediticia en el continente americano: A. América Latina," in Banco de México, *Memoria: Primera reunión de técnicos sobre problemas de banco central del continente americano* (México: Banco de México, 1946), pp. 25–28; "Observaciones," p. 199.
45. Prebisch, "Apuntes de economía política (Dinámica económica)" [class notes], 1948, pp. 96, 97, mimeo. Located at FCE, UBA.
46. Prebisch, "A Critique of Peripheral Capitalism," *CEPAL Review*, 1st half of 1976, p. 60.
47. J. Fred Rippy, *British Investments in Latin America, 1822–1949: A Case Study in the Operations of Private Enterprise in Retarded Regions* (Minneapolis: University of Minnesota Press, 1959).
48. See Gunnar Myrdal, "Diplomacy by Terminology" in *An Approach to the Asian Drama: Methodological and Theoretical* (New York: Vintage, 1970), pp. 35–36.
49. For a brief but effective critique of "stages of growth" for individual countries as ahistorical nonsense, see Wallerstein, "The Rise and Future," pp. 387–90.
50. See Hernán Santa Cruz, *Una página de la historia de las Naciones Unidas en sus primeros años* (Santiago: PLA, 1966); John A. Houston, *Latin America in the United Nations* (New York: Carnegie Endowment, 1956); pp. 223–32; David H. Pollock, "Some Changes in United States Attitudes toward CEPAL over the Past 30 Years," *CEPAL Review*, 2d half of 1978, pp. 57–59.
51. UN ECOSOC E/CN.12/17 (7 June 1948), p. 2; E/CN.12/28 (11 June 1948), p. 6; E/CN.12/71 (24 June 1948). These documents were consulted at ECLA headquarters in Santiago.

52. Benjamin Higgins, *United Nations and U.S. Foreign Economic Policy* (Homewood, Ill.: Irwin, 1962), p. 102; C. C. Stewart, "Center-Periphery and Unequal Exchange" [African Section], paper presented at the Seventh National Meeting of the Latin American Studies Association/Twentieth Annual Meeting of the African Studies Association, Houston, Texas, Nov. 1977, p. 4.
53. Aldo Ferrer interview, Buenos Aires, 2 Aug. 1978.
54. Prebisch interview. For support of the League's lack of interest in underdeveloped areas, see H. W. Arndt, "Development Economics before 1945," in Jagdish Bhagwati and Richard S. Eckaus, eds., *Development and Planning* (Cambridge, Mass.: MIT Press, 1973), p. 18.
55. Albert O. Hirschman, "Ideologies of Economic Development in Latin America," in Hirschman, ed., *Latin American Issues: Essays and Comments* (New York: Twentieth Century Fund, 1961), p. 13.
56. United Nations: Department of Economic Affairs, *Relative Prices of Exports and Imports of Under-Developed Countries: A Study of Postwar Terms of Trade between Under-Developed and Industrialized Nations* (Lake Success, N.Y.: United Nations, 1949), p. 7.
57. ECLA, *Economic Development*, pp. 8–14.
58. *Ibid.*, pp. 15–16; ECLA, *Economic Survey of Latin America: 1949* (New York: United Nations, 1951), pp. 20, 35–38.
59. H[ans] W. Singer. "The Distribution of Gains between Investing and Borrowing Countries," *American Economic Review: Papers and Proceedings* 40, 2 (May 1950), pp. 473–85 (quotation from p. 479). Income elasticity of demand for a good refers to the relative response of demand to a small percentage change in income ($\frac{\Delta q/q}{\Delta y/y}$, where q is the quantity demanded, and y is disposable income).
60. Prebisch to author, 29 June 1977; Singer to author, Brighton, England, 21 Aug. 1979.
61. E/CN.12/221 (18 May 1951), p. 30.
62. ECLA, *Economic Survey 1949*, p. 59. More ambiguously, *Economic Development* stated that "the income of entrepreneurs and of productive factors" in the center increased faster than did productivity in the center from the 1870s to the 1930s, but in another passage the document placed exclusive emphasis on the role of wages in the center (pp. 10, 14).
63. Samir Amin, *Accumulation on a World Scale: A Critique of the Theory of Underdevelopment*, tr. Brian Pierce (New York: Monthly Review Press, 1974), 1: 83–84.
64. ECLA, *Economic Development*, p. 48.
65. U.S. Department of State, *Havana Charter for an International Trade Organization and Final Act and Related Documents* (Dept. of State pub. 3117, Washington, D.C., n.d.), pp. 39–43; Singer to author, 21 Aug. 1979.
66. Alejandro E. Bunge, *La economía argentina* (Buenos Aires: Cia. Impresora Argentina), 2 (1928), pp. 229–31; 4 (1930), p. 131 (Carl Solberg brought this work to my attention); Tulio Halperin Donghi, "Argentina: ensayo de interpretación," in Roberto Cortés Conde and Stanley J. Stein, eds., *Latin America: A Guide to Economic History, 1830–1930* (Berkeley: University of California Press, 1977), pp. 67, 115.
67. League of Nations: Economic Financial and Transit Department, *Commercial Policy in the Interwar Period: International Proposals and National Policies* (Geneva: League of Nations, 1942), p. 133.
68. Harry G. Johnson, "The Ideology of Economic Policy in the New States," in Johnson, ed., *Economic Nationalism in Old and New States* (Chicago: University of Chicago Press, 1967), pp. 131–32 (Carl Solberg brought this work to my attention). Rosenstein-Rodan, for example, wrote in 1943 that the market system in Southeastern Europe did not by itself transform peasants into workers; he believed that Engel's law pointed to the dead end of agricultural exports, and advocated a state-induced industrialization program that would result in the export of industrial goods. He also recognized the value of industrialization as an employment policy for the unemployed or underemployed rural masses. See "Problems of Industrialization of Eastern and Southeastern Europe," in A. N. Agarwala and S. P. Singh, eds., *The Economics of Un-*

- derdevelopment (London: Oxford University Press, 1958), pp. 246, 253–54. (Originally in *Economic Journal*.)
69. Daniel Chirot, "Neoliberal and Social Democratic Theories of Development: The Zeletin-Voinea Debate Concerning Romania's Prospects in the 1920s and Its Contemporary Importance," in Kenneth Jowitt, ed., *Social Change in Romania, 1860–1940: A Debate on Development in a European Nation* (Berkeley: Institute of International Studies, 1978), p. 44. Also see note 76 on the Rumanian Marxist Dobrogeanu-Gherea.
 70. Viner, *International Trade and Economic Development* (Glencoe, Ill.: Free Press, 1952) [a series of lectures delivered in Rio de Janeiro in 1950], pp. 61–64; Schmitter, "Still the Century of Corporatism?," *The Review of Politics* 36, 1 (Jan. 1974), p. 119.
 71. Mihail Manoilescu, *Théorie du protectionnisme et de l'échange international* (Paris: Marcel Giard, 1929), pp. 61, 65, 184; *Le siècle du corporatisme: Doctrine du corporatisme intégral et pur* (Paris: Felix Alcan, 1934), p. 28. See a general discussion of "the Manoilescu argument" that labor should be moved out of subsistence agriculture into industry in W. M. Corden, *Recent Developments in the Theory of International Trade* [Special Papers in International Economics no. 7] (Princeton, N.J.: Dept. of Economics, Princeton University, 1965), pp. 60–61. Corden attributes "the modern development of the Manoilescu argument" to W. Arthur Lewis, E. E. Hagen, and Hla Myint, not to ECLA economists.
 72. Manoilescu, *Théorie*, p. 184; *Le siècle*, pp. 28–30.
 73. *Théorie*, pp. 261–62.
 74. Mario Pugliese, "Nacionalismo económico, comercio internacional bilateral, e industrialización de los países agrícolas, desde el punto de vista de la economía argentina," *Revista de Ciencias Económicas*, año 27, serie 2, no. 219 (Oct. 1939), p. 917; Luis Roque Gondra, "El teorema ricardiano de los costos comparados," *RCE*, año 25, serie 2, no. 194 (Sept. 1937), p. 810. In Argentina, Manoilescu's works were usually cited to be attacked; they seem to have been much more influential in Brazil, where they were championed by the industrialist and publicist Roberto Simonsen. Manoilescu also corresponded with São Paulo's Centro das Indústrias. See Simonsen, *A margem da profissão* (São Paulo: São Paulo Editora, n.d.), pp. 250–51; Manoilescu, *Teoria do protectionnismo e da permuta internacional* (São Paulo: Centro das Indústrias, 1931), pp. 5–6.
 75. Manoilescu, *Le siècle*, p. 33, note 1.
 76. Constantin Dobrogeanu-Gherea (1855–1920), a Rumanian Marxist, distinguished between "global" society and "local" societies. He used the former term to describe the dynamic capitalist nations, in a way roughly equivalent to Prebisch's center; local societies, a group of "feudal," dependent countries, were similar to the periphery. Gherea's *idée maitresse*, according to Henri Stahl, was that Rumanian society's development could not be understood except as a "fragment of an expanding world capitalist system." Aside from Gherea's work, Marxist texts on imperialism before World War I reveal little interest in underdevelopment as imperialism seen "from below." In the view of Fred Gottheil, for Lenin, Kautsky, Luxemburg, and Hilferding, "The colonized regions were regarded simply as depositories for capitalism's surplus commodities, labor, and capital. Whatever became of these surpluses in the regions . . . was clearly peripheral to their interest." Yet Lenin's position began to change after the Soviets seized power, and this fact was reflected in the pronouncements of the Communist International, as early as its second congress in 1920. At its sixth congress in 1928 the Comintern declared capitalism in colonial areas to be a reactionary force, because capitalists allied with comprador bourgeoisies and other traditional groups. As Paul Singer notes, this analysis brought into focus for the first time the relations of social classes in underdeveloped countries.

Prebisch in the early years of ECLA had nothing to say about class relationships in the periphery; but his emphasis on relative prices between agricultural and industrial goods had a precedent among Soviet theorists (though once again there is no indication of any influence on Prebisch's thinking). I refer to the Soviet industrialization debate between 1924 and 1928, resulting in Stalin's decision in the latter year to develop heavy industry and to collectivize agriculture as part of the First

Five-Year Plan. Evgeni Preobrazhenski, an advocate of rapid industrialization during the period of the "semi-capitalist" New Economic Policy (1921–28), contended that the agricultural sector should subsidize industrial development in the U.S.S.R., through a pricing policy for industrial goods "on the basis of monopoly," as Preobrazhenski put it. This was part of what Preobrazhenski called "socialist primitive accumulation," the allegedly more humane counterpart of the capitalist primitive accumulation described with such passion in chapters 26 and 27 of Marx's *Capital*. At the end of the 1920s, collectivization terminated the peasants' freedom to choose when and at what terms to sell their surpluses. In Prebisch's scheme, unequal exchange between agricultural and industrial producers largely occurs through the action of the business cycle, but, as we have seen, monopolistic pricing played some role.

On these matters, see Henri H. Stahl, "Théories de C. D. Gherea sur les lois de la pénétration du capitalisme dans les pays retardataires," *Review* [of the Fernand Braudel Institute] 2, 1 (Summer 1978), pp. 106, 108–09; Fred M. Gottheil, "On an Economic Theory of Colonialism," *Journal of Economic Issues* 9, 1 (Mar. 1977), p. 93; Paul Singer, "Divisão internacional do trabalho e empresas multinacionais," in *CEBRAP Caderno 28: Multinacionais: internacionalização e crise* (São Paulo: Brasiliense, 1977), pp. 55–56 (Albert Hirschman brought this article to my attention); and Alexander Erlich, *The Soviet Industrialization Debate, 1924–1928* (Cambridge, Mass.: Harvard University Press, 1960), pp. 49, 50, 55, 121.

77. Sombart, *Der moderne Kapitalismus, III: Das Wirtschaftsleben im Zeitalter des Hochkapitalismus, erster Halbband* (München, 1928), pp. xiv–xv.
78. *Ibid.*, pp. 64; zweiter Halbband, p. 1019.
79. Prebisch to author, Washington, D.C., 26 June 1979. We may also note on this point that William A. Brown, Jr., an American economist, used the terms center and periphery in 1940 with respect to the international gold standard: "The center countries, by the very fact of their domination of the world, can never shift to the periphery, and the periphery countries have to consider the sum total of their relations to this central system of [exchange] rates in determining their currency policy." Again, the terms do not figure in a cyclical theory, but Brown's work was in an area in which Prebisch was reading in the early 1940s. See Brown, *The International Gold Standard Reinterpreted: 1914–1934* (New York: National Bureau of Economic Research, 1940) 2: 862. (Paul Drake brought this work to my attention.) In 1977 Prebisch did not recall how he came to use the terms center and periphery. Prebisch to author, 29 June 1977.
80. Hirschman, "A Generalized Linkage Approach to Development, with Special Reference to Staples," *Economic Development and Cultural Change* 25, 1977 supplement, p. 68. Samuelson's articles were "International Trade and the Equalisation of Factor Prices," *Economic Journal* 58 (June 1948), pp. 163–84 and "International Factor-Price Equalisation Once Again," *Economic Journal* 59 (June 1949), pp. 181–97.
81. Viner, *International Trade*, especially pp. 61–62; Prebisch to author, 29 June 1977.
82. The data base (for Britain), which showed long-term deterioration of the periphery's terms of trade, was criticized: it allowed for no change in the quality of goods, a process that presumably affected industrial more than agricultural commodities, because of a higher rate of technological progress in the center. Furthermore, P. T. Ellsworth pointed out that the British series included exports F.O.B. but imports C.I.F., and argued that a fall in the prices of primary goods from 1876 to 1905 was largely due to a fall in transportation costs (owing to a combination of advances in steamship and rail networks). But the same writer showed that the evidence for the 1930s supported Prebisch—British export prices did not fall because of resistance to cuts in wages and profits.

Using data for the period 1950–60, Werner Baer showed that there was substantial evidence that the deterioration of the terms of trade in many parts of the underdeveloped world owed to low income elasticity of demand for its complement's goods at the center, and high elasticity at the periphery. While acknowledging that

monopolistic pricing at the center was difficult to prove, Baer found that for 1950–60 the periphery's export prices tended to decrease or to fluctuate widely. Wages (in constant terms) for the years 1950–59 rose in selected center countries, while those in peripheral countries fell.

More recently Paul Bairoch has attacked Prebisch's terms-of-trade argument as a long-term phenomenon. Bairoch contends that, contrary to Prebisch, primary goods benefited in the secular trends of the terms of trade from 1870 to the early 1950s. To begin with, Bairoch challenges the choice of the terminal year (1938) of the original U.N. study (*Relative Prices*) as an abnormal one. He also cites trade figures for the United States and France (data not available in 1949), which diverge from the trends of the British experience (Robert Lipsey had already shown this for the U.S.). Furthermore, Bairoch demonstrates that the internal terms of trade for several developed countries moved in favor of agricultural goods in the years 1876–80 to 1926–29. Finally, he cites long-term studies of terms of trade for several primary-exporting countries which contradict the U.N.'s findings. Yet Bairoch does think the terms of trade moved against the Third World countries from 1954–55 to 1962–63. Among the several causes of this trend was a factor Prebisch had cited—"a difference between the less-developed and the developed countries in the manner in which the gains from increased productivity accrued." Despite Bairoch's forceful arguments on the long-term trends, the dispute about the effects of terms of trade between developed and underdeveloped countries remained very much alive in the year he published (1975).

See Ellsworth, "The Terms of Trade between Primary Producing and Industrial Countries," *Inter-American Economic Affairs* 10, 1 (Summer 1956), pp. 55–57, 63; Baer, "The Economics of Prebisch and ECLA," in Charles T. Nisbet, ed., *Latin America: Problems in Economic Development* (New York: Free Press, 1969), pp. 215–17; Bairoch, *The Economic Development of the Third World since 1900* (Berkeley: University of California Press, 1975), pp. 111–34, especially 120, 125, 132, 134 (quotation); Robert E. Lipsey, *Price and Quantity Trends in the Foreign Trade of the United States* (Princeton, N.J.: Princeton University Press, 1963), especially pp. 12–17; "Idea of Growing Disparity in World Prices Disputed," *New York Times*, 25 May 1975, pp. 1, 8; Jonathan Power, "Of Raw Materials, Raw Statistics, and Raw Deals," *New York Times*, 31 Aug. 1975, p. E15.

83. Joseph L. Love, "Centro-Periferia e troca desigual: Origens e crescimento de uma doutrina econômica," *Dado* 19 (1978), pp. 47–62, especially 56–57.
84. Amin, *Accumulation* 2: 609–10.
85. Octavio Rodríguez, "Sobre la concepción del sistema centro-periferia," *Revista de la CEPAL* (1st half of 1977), p. 240.
86. See note 76.
87. Prebisch, "A critique," pp. 11–12, 37, 60, 66. Prebisch defines the surplus as the gains in productivity resulting from technological progress (p. 13).
88. *Ibid.*, p. 59.