
COMMENTARY AND DEBATE

COMMENTS ON THE INFLUENCE OF RAUL PREBISCH ON ECONOMIC POLICY-MAKING IN ARGENTINA, 1950–1962

Adalbert Krieger Vasena
Buenos Aires, Argentina

Perhaps the clue to the perplexing overall thesis of Kathryn Sikkink's article is to be found in the personality of Raúl Prebisch and his activities during his formative years and the period before 1943, when he was ousted from his position as Director-General of the Banco Central de la República Argentina by the Peronist-influenced government. A brilliant student of economics, Prebisch never finished his coursework at the Universidad de Buenos Aires. Nevertheless, in 1926 he was appointed Professor of Economics by the same university that never granted him a degree, not even an honorary one. He was ousted from his professorship by the Peronist government in 1948 because he refused to lecture on Perón's first Five-Year Plan.

Professor Sikkink is misinformed in stating that "for a number of years he was employed by the Sociedad Rural Argentina, the bastion of the landholding elite in Argentina." In 1923 Prebisch was commissioned by this nonprofit organization to study the influence of meatpackers on meat pricing in Argentina, and his conclusions led to his dismissal shortly after. In 1927, while serving as Deputy Director of Statistics, he was charged by the Sociedad Rural to prepare a statistical annual. He also accompanied the president of the Sociedad Rural on a mission to

the United States and Canada to advocate eliminating trade barriers on importing meat and grains from Argentina. It is therefore incorrect to say that Prebisch was perceived "as an individual tied to traditional conservative landholding interests" and to cite his "long and close association with the nation's traditional economic elite."

Prebisch was from his early university years a fervent admirer of the Argentine Socialist party and its leader, Dr. Juan B. Justo. Until the middle of 1931, Prebisch was a self-described "neoclassicist": a believer in free trade, the gold standard, and the international division of labor, principles that the Socialist party firmly supported, as did the two major political parties in Argentina, the Radical party and the Conservative party.

But what Professor Sikkink does not stress is that Prebisch exemplified in Argentina (and throughout his career) the prototype of the public functionary, the technician devoted entirely to making and implementing policy in the government sector. The Argentine government sent him to Australia in 1923 to study land taxation; in 1925 he served as advisor to the Minister of Agriculture; in 1926 he was named Deputy Director of the National Statistics Office; and from 1927 to 1930, he directed the Bureau of Economic Research of the Banco de la Nación Argentina. Prebisch never served nor associated with private interests of any kind. His major goals were to interpret economic realities, to devise and implement appropriate policies, and to stimulate younger economists to follow in his steps.

I believe that it is also incorrect to say that Prebisch was "economic advisor to the conservative Argentine government of General José Uriburu." From September 1930 until June 1932, Prebisch served as Undersecretary of the Ministry of Finance (Hacienda). Under his leadership, the budget deficit was practically eradicated, an income tax was created, exchange controls were established, rediscount facilities were enacted to avoid commercial bank failures, the idea of creating a central bank was announced, and a commission drafted the first legislation establishing such a bank.

Prebisch's activities during these years and up to his dismissal in 1943 were the most productive of his pre-CEPAL years in Argentina. He was first invited to Europe by the League of Nations to participate in organizing the World Economic Conference, and after he returned, he was asked to join Argentine Vice President Roca in negotiating the Roca-Runciman treaty. Prebisch also collaborated closely with Ministers Pinedo and Duhau on the economic policies inaugurated in November 1934. It is regrettable that Professor Sikkink did not concentrate more on the positive aspects of Prebisch's activities during this time and instead dwelled perhaps too heavily on the post-1948 views of his latter-day critics.

Implementation of the Prebisch Plan

Between 1943 and 1955, Prebisch in no way participated in formulating the economic policies of Argentina. When he was asked to advise the Revolutionary Government that had ousted Perón, one of his most important contributions was to persuade the government to request an economic study of the Argentine situation by the United Nations. Prebisch was convinced that deeper understanding of the true economic situation of the country was needed if major economic policy changes were to be introduced.

Notwithstanding the fact that, as Professor Sikkink observed, the main thrust of the *Revolución Libertadora* was to restore democracy in Argentina, several of Prebisch's recommendations were implemented. I served as Secretary of the Advisory Committee on Economics and Finance in 1955–56 and as Minister of Finance in 1957–58, and during this period, at least eight Prebisch recommendations were implemented. First, the Instituto Argentino de Promoción del Intercambio (IAPI) was liquidated, thereby ending the state monopoly on foreign trade instituted under Perón. Second, the Instituto Nacional de Tecnología Agropecuaria (INTA) was created, an entity that has facilitated important technical advances in agricultural production.

Third, the banking and financial system was reformed. In 1946 Perón had nationalized bank deposits and made commercial banks mere agencies of the Banco Central. No relationship existed between bank deposits and loans. Loans were financed exclusively with rediscounts from the Banco Central, a practice that became a major cause of inflation in Argentina, which was unknown in the country until 1946. In 1957 bank deposits were denationalized and a fractionary reserve requirement system was reestablished, although bank deposits were again nationalized between 1973 and 1977.

Fourth, the foreign debt was refinanced. By 1955 Argentina had nearly defaulted on its foreign obligations with all its trade partners and had to refinance these debts. Creditor countries established the first Paris Club and granted Argentina a grace period of ten years. The negotiations began in 1955, when Eugenio Blanco was Minister of Finance (a post he held again in the Illia administration). In 1955 Roberto Verrier traveled to Europe to begin debt negotiations. These agreements were finalized during my tenure as Minister of Finance, and Argentina thereby recovered its credit abroad. The system of bilateral trade and payment agreements was thus terminated, and Argentina returned to the multilateral trade system.

Fifth, the Dirección Nacional de Industrias del Estado (DINIE) was liquidated. During the Peronist era, German, Italian, and Japanese private companies in Argentina had been confiscated by the govern-

ment, despite the fact that Argentina declared war on the Axis countries near the end of the war. The return of these companies to their legitimate owners was not only just but contributed substantially to the future industrial development of the country. Although Rogelio Frigerio had strenuously opposed these measures in his articles in *Qué*, when Arturo Frondizi became president in 1958, all these laws enacted by the *Revolución Libertadora* were approved without discussion by the Congress.

Sixth, basic industries were promoted. The *Revolución Libertadora* strongly backed the steel industries. The *Sociedad Mixta Siderurgia Argentina* (SOMISA) received full governmental support to continue its program, and after Argentina refinanced its foreign debt, the Export-Import Bank and other foreign institutions granted the credits that had been withheld. Seventh, the reequipment of industry was initiated. The foreign debt default of 1955 had impeded any possibility of acquiring capital goods abroad. Once the Paris Club agreements were concluded, local industries could again import equipment.

Finally, Argentina joined the International Monetary Fund and the World Bank. During the decade preceding 1955, Argentina belonged to neither of these institutions, in accordance with the "third position" maintained by General Perón. As in the other areas mentioned, Prebisch's recommendations were implemented so that when President Frondizi was elected in 1958, Argentina's first standby agreement with the IMF could be established.

The Balance of the Period between 1955 and 1958

As previously noted, the Revolutionary Government's first priority of reestablishing democratic government caused part of Prebisch's program to be postponed. But the ideas of liberalizing the economy had been planted and could be carried out by the democratically elected president. Thus Frondizi quickly relegated Frigerio elsewhere and named Alvaro Alsogaray as Minister of Economy.

It should not be forgotten that during the Peronist decade (1945–1955), a severe economic policy controlled and directed by the state in every detail was applied. Argentina in 1955 was a corporative state (the *Confederación General Económica* representing entrepreneurs and the *Confederación General de Trabajo* representing workers). The ensuing crisis was so far-reaching that the "world's granary" had to eat "black bread," and electric energy was rationed in all parts of the country.

Prebisch became the "scapegoat," but many of his basic recommendations were nevertheless implemented in subsequent years. The attacks made by Frigerio were motivated by his desire to captivate the Peronist electorate, which he succeeded in doing when the Radical

party split in the elections of 1958. But once Frondizi took office, he quickly forgot Frigerio's developmentalist ideas. I think that Professor Sikkink gives too much weight to the ideological dispute between Prebisch and Frigerio because the latter was politically motivated to capture votes at any cost.

Industrialization and the Prebisch Plan

In my opinion, this article misses an essential point that has been widely debated in Argentina and throughout Latin America, a point on which an abyss exists between what Prebisch recognized and what Frigerio (and Ferrer) defended. I refer to the degree of "economic opening" or the extent of economic protectionism that is compatible with a competitive economy.

From 1945 on, despite the huge foreign exchange reserves accumulated during World War II, Argentina intensified the industrialization process but by means of a steep protectionist barrier (custom duties and quantitative restrictions based on import permits). Local industry flourished, but it grew only internally and did not export. Perhaps what can be criticized in Prebisch's recommendations is that he did not realize the power of the large vested interests of the highly protected industry, whose foremost exponent was Rogelio Frigerio. As of today, the ideological debate appears to have been superseded in view of the failure of the industrial exports of a country like Argentina. Even the Peronist movement recognizes the errors of the past and favors "economic opening."

It would be naive to repeat Prebisch's error by ignoring the strong industrial sectors in Argentina (and in much of Latin America) that continue to call for economic autarchy and protection. Consequently, the article should have been clearer as to what type of industrialization is being discussed—competitive industries that can also export or heavily protected industries interested only in the domestic market.