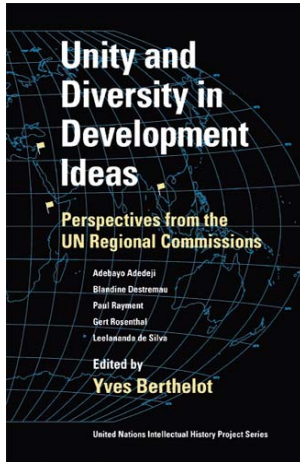




## UN Regional Contributions: Latin America and the Caribbean

This briefing note is largely based on Gert



Rosenthal's contribution "ECLAC: A Commitment to a Latin American Way toward Development," published in the UNIHP publication *Unity and Diversity in Development Ideas: Perspectives from the UN Regional Commissions*, edited by Yves Berthelot and published by Indiana University Press. Throughout this note the term ECLAC is

used even if the "C" of Caribbean was introduced in later years.

### The Pioneering Years

The Economic Commission for Latin American and the Caribbean (ECLAC) is probably the UN regional commission that has been most visible in the realm of policy ideas. Its contributions have been evident since its inception in 1948. Indeed, that contribution burst onto the Latin America scene in a spectacular manner and was propelled by Raúl Prebisch, executive secretary from 1950 to 1963 and the main advisor to the young institution between 1948 and 1950. The core of Prebisch's original analysis for the region is contained in two landmark documents: Prebisch's *The Economic Development of Latin American and Its Principal Problems* (1949) and the commission's *Economic Survey of 1949*.

While Prebisch was the executive secretary, and the secretariat was strongly influenced by his own thinking, many other important personalities contributed to the institutional message, both in the economic and sociological areas. Names such as Fernando Henrique Cardoso, Celso Furtado, Jorge Ahumada, Anibal Pinto, and Osvaldo Sunkel deserve mention as the highly innovative proponents of ideas that became part of the ECLAC credo.

These documents developed the theses of the secular deterioration in the terms of trade of

Latin American countries; the asymmetrical relations between the developed countries of the "center" and the developing countries of the "periphery"; and their perverse effects on domestic production, consumption, and savings patterns. The two documents stressed the need to industrialize through import substitution, the critical importance of technological progress, and the active role of the state in development. Much of the work in subsequent years built on this cluster of seminal ideas, including the need to broaden markets through regional economic integration, the desirability of designing development "blueprints" through economic planning, the need to reverse the perverse distribution effects of economic growth, and the understanding of the nature of inflation.

It is true and normal that many of these ideas have been questioned over the years and some of them have fallen into disrepute, but that in itself does not necessarily minimize their importance and usefulness when first put forward or even today. For instance, the role of government, as advocated by ECLAC, was considered too overwhelming in later years. But since the 2007-2010 financial and economic crises, this criticism looks somewhat bizarre. The import-substitution thesis with its protectionist bias has also come under heavy attack. Raúl Prebisch was the first to underline that this was a temporary measure that should be lifted as soon as possible. East Asia did just that, Latin America waited too long. But the idea that developing countries need a temporary defense wall around them to build up their economy (the infant industry thesis) is at least as old as when Alexander Hamilton, the first secretary of the treasury of the independent United States, introduced protectionism to guard his young country against the gale of UK exports.

ECLAC was extremely innovative and influential not only in development thinking but also in the way its secretariat interacted with its member governments. Prebisch has been variously described as a thinker, a man of action, and an institution builder. He was also a master disseminator of ideas. He built ECLAC as a halfway house between academia and public policy, a place where thinkers and doers could meet. This is, of course, what the UN as a whole



should do (see Briefing Note #5 on *The UN: Challenges Ahead*). The in-depth work carried out in countries gave the institution an important presence in the field, and its empirical observations nurtured its ideas about development. It would be difficult to find another administrative unit in the UN that had such a decisive impact on so many member countries during this period—from the end of the 1940s to the middle of the 1960s. Many have characterized the body of ECLAC's ideas as something akin to a development paradigm.

However, by the second half of the 1960s and especially by the 1970s, the institution had lost some of its luster. It can be said that the golden years of ECLAC as a center of economic analysis and audacious thinking coincided with Prebisch's tenure.

## The Later Years

Although ECLAC never again attained the heights of fame and prestige of the 1950s and early 1960s, the extent of its decline in the post-Prebisch era is sometimes exaggerated. Obviously, the quality and relevance of the secretariat's work varied over the years, and circumstances within the UN, Latin America, and the world at large changed dramatically. But there were constants during all of ECLAC's institutional life that revealed a certain vitality. Thus, even in periods when its influence had clearly diminished, the organization consistently spawned numerous and creative ideas. It was also able to continue to influence policymakers. At the same time, it managed to build a niche in the UN structure that legitimized policy-oriented analytical activities as fundamentally useful to member governments. It was able to draw on these historic achievements to the extent that there was a moderate recovery of its intellectual role from the early 1980s. In short, the institution clearly deserves an important place in the intellectual history of the UN.

The 1970s, which coincided with the ascent of Enrique Iglesias to the post of executive secretary in 1972, were troubled. ECLAC's original conceptual framework was increasingly being discredited, especially regarding the sustainability of industrialization based on import substitution. The international economy was marked by instability. The ECLAC secretariat, based in Santiago, Chile, and always closely

influenced by affairs in its host country, was adversely affected by the overthrow of Salvador Allende—whose economic team included prominent ex-ECLAC staff—and the emergence of an oppressive military regime hostile to ECLAC headed by Augusto Pinochet.

The early years of Iglesias were dedicated to preserving the integrity of the secretariat and even to avoiding its expulsion from Chile. His later years were dedicated to orchestrating a delicate balancing act between the guardians of ECLAC's original ideas and the modernizers, who brought with them a more up-to-date vision of economic policymaking and who ultimately prevailed. Iglesias has told this story himself in the oral history interview he gave, reproduced in *The Complete Oral History Transcripts from UN Voices*, published by UNIHP. Thus, the heated debate going on at the time between the structuralist approach and the monetarist approach was reproduced, with nuances, within the secretariat.

But even during those difficult times, the institution continued to produce innovative work that built on its previous reflections. The contributions of Anibal Pinto and José Medina Echavarría on styles of development and the social dimension of development highlighted the inequitable nature of growth patterns in the region as well as the political economy of development. Serious work on the incidence of poverty was undertaken, as were activities on emerging issues such as the links between the environment and development and the status of women. The secretariat was able to document the perverse effects on the economies of the region of the oil shocks of 1973 and 1979, especially regarding the gradual buildup of debt, a buildup that would come back to haunt the region in the 1980s.

The internal debate was eventually overtaken by the severe economic depression of the 1980s—the so-called lost decade for development. The development of holistic frameworks was temporarily abandoned within the secretariat and attention was turned to the crisis and the short term. ECLAC produced important contributions for the emergency, especially in the areas of expansive adjustment policies, the debt overhang, and hyperinflation. The economic recession of the 1980s led ECLAC to suppress for the time being the internal and



debilitating debate on development paradigms and forced the institution to address timely policy questions.

Throughout this period, ECLAC was still ideologically identified with its past, avoiding the embrace of the new orthodoxy espoused in the economic realm by Milton Friedman and in the political domain by Ronald Reagan and Margaret Thatcher. However, it could not come up with an alternative to the new orthodoxy, and so it found refuge in addressing specific policy questions rather than trying to tackle the big picture. Thus, the ECLAC secretariat was espousing debt alleviation three years before U.S. secretary of the Treasury William Brady announced his debt reduction initiatives in March of 1989.

Although Iglesias initiated attempts to update the ECLAC message, it was left to his successors (among others Gert Rosenthal, José Antonio Ocampo, José Luis Machinea, and the present executive secretary Alicia Bárcena) to address this challenge in a more systematic way. Perhaps the single most important characteristic that distinguished ECLAC from the prevalent orthodoxy during the 1980s and 1990s was that while recognizing the importance of the market, it held that the market by itself was not enough to achieve development. Public policy and sound institutions were equally important in the quest to achieve growth with equity.

## Recent Years

Several common threads have run through the institution's intellectual contributions during its history, such as the holistic, integrated, and multidisciplinary approach during the initial years, a commitment to a Latin American path to development, and sticking to its roots of structuralism. Moreover, ECLAC's ideas have revealed a conviction in the possibilities of social engineering, and they have also been characterized by an ideological slant toward reformist and forward-looking causes. In that context, ECLAC has persistently shown a concern for social justice; its work program, since the 1960s, has been heavy with topics related to income distribution, poverty, social indicators, and equity considerations.

This last point is illustrated, among others, by the series of publications during the 1990s

under the banner of *Changing Production Patterns with Social Equity* that contributed to the debate on how to approach policymaking in the region. The landmark document was produced in 1990 under the title *Changing Production Patterns and Social Equity* which, it must be said, was a far cry from import-substitution industrialization. It emphasized international competitiveness and had at least some elements in common with the export bias in vogue in those days. Where the approach departed from this paradigm was in its espousal of a more active state presence since it was argued that international competitiveness would not come about spontaneously but rather require a concerted effort on the part of the public and private sectors.

More recent concerns include the need to combine macroeconomic stability with sustainable growth, the need for a strategy for structural change, and enhanced emphasis on social cohesion and citizenship. There is also the ECLAC thesis of "open regionalism," that is, the attempt to use regional economic integration as a springboard for integrating into the global economy—a thesis that was presented in yet another landmark document *Open Regionalism in Latin America and the Caribbean*, published in 1994.

Obviously, at the time of writing (2009) much attention is being devoted to how to cope with the great financial and economic recession—possibly the first crisis that Latin America has not brought on itself, and for which it is better prepared to ride out the rough waters than any other developing region.

## The Lasting Legacy of ECLAC's Intellectual Contribution

ECLAC has managed to retain its intellectual vitality for over sixty years. The high and low periods in the secretariat's creativity have been partly a function of the varying quality of the leadership and the staff, but also, more fundamentally, of its capacity to adapt to changing circumstances within and outside the region. ECLAC's yearly economic surveys have recorded the evolving economic and social situations both within and outside the region.

The secretariat ultimately and invariably has reacted. Thus, although the integration of Latin



American and Caribbean economies into the global economy has been one of the constants over the last sixty years, the secretariat began with support for industrialization based on import substitution and ended with appeals for international competitiveness. The structural impediments to development are another constant, but the manner in which ECLAC approached them changed over the period. The same can be said for the constant predilection for an active state, but it has made changes in how that presence is characterized: from replacing the private sector in some areas to complementing it; from intervention to facilitation. And, of course, the preoccupation with the distributive impact of development policies is another constant, but the mix of policy recommendations has changed over time.

Six central notions appeared in the early ECLAC formulations that were to shape its work for years to come and were to become profoundly etched in its ethics. They are:

- First, the relation between the “center” and the “periphery” was as relevant to small as it was to large countries. Beyond its analytical merits, the center-periphery thesis had two important by-products: it became a unifying theme within the region and later among developing countries in general; and it became the topic par excellence for UN analysis.
- Second, by dividing the world between center and periphery, Prebisch and ECLAC hit upon a dominant cleavage that has marked the history of the UN over the years: North and South, rich and poor. Thus, the institution turned neoclassical economics on its head. The poor countries did not derive the largest relative benefits from international trade. The asymmetrical relations led to polarization instead.
- Third, while neoclassical economists did not make any particular distinction between developed and developing countries, ECLAC left no doubt that developing countries were different. Policy prescriptions for one and the other differed in very fundamental ways,

- Fourth, by looking at development problems through the Latin American perspective, ECLAC instilled a strong sense of ownership among the region’s governments and academic communities. The fact that an original conceptualization could be constructed from a Latin American vantage point—and not from a European or American one—was a novelty and a source of pride.
- Fifth, ECLAC’s message suggested that development did not just occur spontaneously but was the result of a predetermined and well-reasoned strategy. The idea of an active state became deeply embedded in the commission’s culture.
- Finally, ECLAC’s insistence on the holistic, integral, and multidisciplinary nature of development was, by and large, adopted by the UN as a whole. Indeed, in recent years, for example, it has become clear that development, human rights, and human security are intimately related.

No study of the intellectual legacy of the UN is complete without acknowledging the remarkable contribution of the Economic Commission for Latin America and the Caribbean. To be sure, the most spectacular ideas were generated in the institution’s pioneering years, but it has consistently shown vitality and creativity during its lifetime and continues to do so.

Louis Emmerij and Gert Rosenthal