



Review of *The Global Political Economy of Raúl Prebisch*

Margulis, Matias E., ed. *The Global Political Economy of Raúl Prebisch*. 2017. London: Routledge. 236 pages, ISBN 978-1-1382-1977-9 Hardcover (\$146.95).

Matias Margulis has edited an excellent book about Raúl Prebisch, one which both outlines Prebisch's key arguments and shows how his ideas need to be updated in the light of new developments. The volume allows a new generation of students of international political economy (IPE) to understand that Prebisch, alongside Keynes, was one of the two intellectual architects of the post-war economic order. As pointed out by Margulis in his introduction, Prebisch's ideas made history, though this fact is very much ignored in standard accounts of the postwar development regime. This volume therefore firstly, recognizes the importance of Raúl Prebisch and secondly, contributes to existing efforts to develop a truly global political economy (GPE) in place of the conventional IPE approach. This, in a sense, is the untold story in this book: Margulis' introduction simply refers to GPE, but the really important insight that emerges from his account is the need to break with the traditional IPE story of the postwar order in order to create a truly global account of postwar economic history.

Traditionally, IPE tells the story of the postwar order as one of the rise and fall of the interventionist Keynesian welfare state and its international concomitant, the Bretton Woods system based on the IMF-centered monetary order, the World Bank and its work on infrastructure development, and the trading order based on GATT. Although his influence has been unjustifiably minimized in this account, Prebisch's work as the most preeminent Latin American monetary thinker played a major role the making and unraveling of the postwar economic order created at Bretton Woods. As Helleiner's chapter notes, Prebisch's position as the director of the Argentinian



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central bank was influential in shaping U.S. foreign policy towards the region—for example, with regard to the working of the Inter-American Bank, which was a first draft of the World Bank and the IMF (80). Prebisch himself did not participate in the negotiations at Bretton Woods, as Argentina was not invited to the negotiations. Prebisch noted that it was “somewhat paradoxical that Argentina with its unbroken debt record and its organized central bank should be the one South American country left out of a discussion which so vitally affects interests of all” (89). Helleiner’s chapter highlights how Bretton Woods policies such as adjustable exchange-rate pegs and capital controls were important in the North to secure full employment and the welfare state while they also supported state-led development policies in the South (90). Secondly, Prebisch’s ideas significantly reformed the original version of the Bretton Woods system through the integration of the idea of non-reciprocity in GATT, and his project of a New International Economic Order that was taken up by the G-77 at the United Nations (8, citing Bair 2015). In other words, in order to understand the rise and fall of the Bretton Woods system and the ensuing neoliberal revolution, we also need to take Prebisch’s ideas into account and understand how they were realized in political action. More importantly, Helleiner’s chapter highlights that the Bretton Woods system was a truly global order, thanks to the work of both Keynes and Prebisch.

The previous section has already shown that Prebisch’s contributions go well beyond development, as emphasized also by Dosman (the author of a biography of Prebisch) in his preface for the book, and by Margulis in his introduction (4). Yet, judging from the chapters in the book, Prebisch’s career highlight was his work for the United Nations as a development thinker. The volume is testimony to the fact that his structuralist approach to the world economy still explains the difficulties of peripheral capitalism to catch up due to the unfavorable governing mechanisms of the global economy. Furthermore, and unfortunately, Prebisch’s call to put global inequality at the analytical center of GPE is still very much needed. As Wade points out, “western countries remain on top.” “Only 16 per cent of the world’s population live on an income that takes them safely above the U.S. poverty line” (137), while politically, global leadership continues to be largely in the hands of Western states who continuously torpedo alternative ideas from the South. Politically and economically, the current world system is still western-centered, according to Wade, and industrial development in the South has merely led to “hegemonic incorporation” and a form of “multipolarity without genuine multilateralism” (138). However, this argument is squarely contradicted by Margulis (13), and some of the other authors (e.g. Hopewell, and Kaplinsky and Farooki) who point to a resurgence of southern-led economic governance and commodity power.

The book is divided into three sections to delineate Raul Prebisch’s life and work. Prebisch’s influence on the postwar economic governance architecture and his theoretical explanations are

the focus of the first section of the book, and there is much to be learned, as the contributions by Margulis and Helleiner already demonstrated. Ho's chapter continues this veritable firework of insights by insisting that our current understanding of import-substituting industrialization (ISI) is much too simplistic and was not even shared by Prebisch himself. In Ho's view, Prebisch saw ISI as one element within a larger theory of economic development and Prebisch himself was very critical of how ISI was carried out in his days. For example, he called for more export orientation and regional integration (30-31). Indeed, as Ruiz demonstrates, Prebisch was one of the key figures in the debate on regional integration in the Americas through his work for the United Nations Economic Commission on Latin America (ECLA). According to Ruiz, Prebisch saw regional economic integration as a necessary support for industrialization in order to compensate for limited domestic markets (63), but not to promote regional free trade as such (65). Ruiz then concludes by critically assessing the current emphasis on open regionalism in the light of Prebisch's critique of neoclassical economic integration theory. Crucial to Prebisch's worldview was his insistence that national development, but also regional integration processes occur in the context of a world economy characterized by hierarchy. Puntigliano's chapter expands on this point and shows how Prebisch started from an understanding of hierarchy in the form of a center and a periphery related to each other by the mechanism of unequal exchange, and then used this insight to critique economic liberalism, whose insistence on free trade leaves countries in dependence and creates only 'imitative capitalism' (52). Despite these radical ideas, it is however, important to keep in mind, as Puntigliano points out, that Prebisch was in many ways pro-liberal and his classification as a dependency theorist is thus problematic (53). Textbook writers, take note!

The second section of the book shows the degree to which Prebisch's ideas and his institutional legacy in the form of UNCTAD still make a vital contribution to the functioning and understanding of the global political economy. As Broad and Heckscher suggest, it is important to recognize the long history of counter-hegemonic organization by social movements and states against corporate-led globalization, and they outline how Prebisch's ideas fit into this history. They distinguish three waves of resistance to globalization that were accompanied by different central ideas or 'frames.' In their view, Prebisch's critical perspective on the concentration of economic power through corporate-led globalization influenced UNCTAD's early work on transnational corporations and these ideas are still important in the alter-globalization movement. In other words, though many activists in the global social justice movement critique global corporations, they may not be aware that they inherited much of their ideas from Prebisch and UNCTAD. In a sense, and to put this differently, Prebisch and especially UNCTAD paved the way for much of today's critique of corporate-led globalization. Even though UNCTAD is now merely a shadow of its former self, it is still relevant and has withstood the onslaught of neoliberalism in Hannah's and

Scott's view. Despite the hegemony of neoliberal ideas, the organization still continues its tradition of policy transfer to the GATT and the WTO in various areas such as the notion of 'policy space' within the debate about globalization, and the formulation of new developing-country categories. Yet, despite these important legacies, as Wade's chapter reminds us, not much has changed in terms of the distribution of economic and political power. It is for this reason that the last three chapters (and Margulis section on commodity cycles in the introduction) make for a fascinating reading, as the authors push Prebisch's ideas further, and at times even propose their abandonment.

In her chapter, Hopwell points out how Brazil's development trajectory both confirms and challenges Prebisch's arguments. Brazil has become one of the preeminent countries with regard to agricultural exports. In fact, it is an "agricultural export-power-house" (155) and is actively using this power in the international arena. The focus on agricultural exports brought the country economic growth and macroeconomic stability and enhanced its status and influence on the global stage as one of the so-called BRICS. To put this differently, industrialization is not necessarily the key to power and plenty as suggested by Prebisch. Yet, Brazil also shows how Prebisch's insights into the role of the state remain crucial. Brazil's transformation from an agricultural wasteland into one of the most productive agricultural regions in the world was intensively state-driven.

In contrast to the Brazilian success story, the chapter by Caldentey and Vernengo makes for a rather depressing read. They demonstrate the degree to which the restructuring engineered by the debt crisis since the 1980s has led to "reprimarization" (174), as the fate of Latin American economies again become subject to commodity cycles—a tendency exacerbated by commodity speculation in financial markets (see also Margulis' introduction on this). In addition, many countries have come to rely heavily on remittances of (mostly undocumented) migrants, though these too are unstable and vulnerable to shifting political and economic winds. Thus, in parts of Latin America, the old primary sector export model has been revived, and it is back to the 19th century of dependent development.

While Caldentey and Vernengo suggest that claims of a commodity supercycle are unfounded, a contrasting view is put forth in the chapter by Kaplinsky and Farooki. They argue that the commodity boom from 2003 onwards may be unprecedented due to the changing structure of the global economy and the rise of China. The implication is that because we are experiencing a "long-term structural break in the terms of trade" (211), we should abandon Prebisch's (and Singer's) declining terms of trade thesis. Furthermore, manufacturing is not necessarily the key to sustained income growth, given the problematic division of labor within the sector itself whereby some manufactures are also subject to declining terms of trade (i.e. labor-intensive, low-cost goods). Kaplinsky and Farooki echo Hopwell's argument in emphasizing that a focus on agriculture does not imply a lop-sided form of economic growth. This discussion has complex

implications for economic policies, and underscores the call that Margulis makes in his introduction that Global Political Economy needs to go back to its roots and devote more attention to commodity-related developments (12).

What is missing in the book is a dedicated chapter on the New International Economic Order and a discussion of the pertinence of these ideas today. Luckily, we have excellent research on this question by Jennifer Bair (2015, and cited by Margulis), so I refer the reader to her work. There is also no reflection on how Prebisch's thought fares in the context of climate change; can the emphasis on economic development within capitalism be sustained in light of ecological pressures? It would have been interesting to consider whether and how Prebisch's ideas about development are engaged by indigenous peoples who have emerged in some areas in Central and South America as a critical voice in the development discourse (feminists too would have something to say on how Prebisch conceptualized economic development). Lastly, there is little attention devoted to the adoption of Prebisch's ideas by African and Asian development thinkers.

Nevertheless, this volume is a fantastic addition to the IPE literature in its transformation towards GPE. It vividly demonstrates the need for Prebisch's integration into the discussion of the global economy, its history, development and politics. In times of austerity, however, the price of the book will limit its impact. Hopefully, a paperback version can be published soon, as it would be useful as a complementary reading in courses on global social movements, development economics, globalization and introductions to GPE. It may also serve as the main book for an advanced discussion of central themes within GPE such as the issue of commodities, the ongoing relevance of Prebisch's ideas and their applicability, and southern forms of multilateralism. None of this should however prevent anyone from simply reading the book out of curiosity to learn more about Raúl Prebisch. Margulis introduction is a good start.

References

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