

## **Eight— Development Ideas in Latin America: Paradigm Shift and the Economic Commission for Latin America**

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Latin America has been a laboratory for changing development models. <sup>1</sup> In the late 1940s, Latin America gave birth to one of the most influential ideologies of development, the "structuralist" model of development associated with Raúl Prebisch and the Economic Commission for Latin America (ECLA or CEPAL in Spanish). Between 1980 and 1990, ECLA experienced a profound shift in its ideas about development, a shift that paralleled but did not simply duplicate the more general move in Latin America toward neoliberal economic policies. The story of how ECLA went through this shift in development thinking is illuminating for this volume on the production and transmission of development ideas, and for broader questions of the relationship between social sciences and development. Many of the standard explanations for changing development models are unsatisfactory in explaining the new ideas at ECLA. This paper surveys the major explanations for changing ideas—power, learning, and institutional change—in relation to the case of ECLA. <sup>2</sup> I conclude that an approach which stresses a process of learning within institutional and material constraints is the most useful for understanding changing development ideas in ECLA. Because ECLA has been the most important regional economic institution in Latin America, shifts in ECLA thought can be an important microcosm for understanding broader shifts in development ideas in the region.

In the 1950s and 1960s, ECLA was not only the most important economic institution in Latin America, but probably the most influential economic institution based in the Third World. <sup>3</sup> ECLA and Prebisch essentially originated and disseminated two key concepts for understanding underdevelopment: the paired concept of center/periphery and the argument that declining terms of trade for primary products were the main

sources of Third World underdevelopment (Love 1980). These concepts became some of the principle metaphors or theories through which many policymakers and academics interpreted underdevelopment. ECLA also embraced and provided theoretical justification for import substituting industrialization (ISI) as a growth strategy. The name ECLA became virtually synonymous with ISI and structuralist economic thought.

Between 1980 and 1990, however, ECLA made an important shift in its approach to development, moving away from its earlier emphasis on ISI to a new focus on international competitiveness. This change was sufficiently dramatic to qualify as a paradigm shift.<sup>4</sup> Dramatic ideational change within an institution becomes a puzzle that needs explanation, because institutional theory suggests that institutions and the individuals within them resist change even when the initial factors that created the institutions have changed (Ikenberry 1988). Although most of the staff are professional economists who engage in research, ECLA is not an academic institution but an intergovernmental organization that answers to the governments of the region. With its major training program of government bureaucrats, its influential publications, and its missions that advise governments, ECLA has been intimately involved in economic policy making over the last four decades.

This chapter has a number of parallels with Martha Finnemore's chapter on the World Bank in this volume. Both explore a paradigm shift within an international organization, and attribute this change more to new ideas or learning than to the pressures of states or international structures. Likewise both chapters stress the role of internal organizational structures and key leaders as central parts of the explanation for changing models within institutions.

## Types of Ideas

In their introduction to their edited volume, *Ideas and Foreign Policy*, Judith Goldstein and Robert Keohane (1993) distinguish between principled beliefs and causal beliefs. Principled beliefs specify criteria for distinguishing right from wrong while causal beliefs are ideas about cause-effect relationships, which provide strategies for the attainment of goals. Because causal ideas are about cause-effect relationships, they are open to falsifiability in a way that principled ideas are not. Most economic ideas are causal ideas, but new economic models do not enter an ideological vacuum, but rather a highly contested political space full of preexisting beliefs and values about the economy. These more general beliefs and values form the context in which debates over new economic models take place, which in turn shapes the nature of the debate over economic ideas

and policy.<sup>5</sup> Although ECLA is primarily in the business of producing causal beliefs of a professional or disciplinary nature, the success or failure of economic models in Latin America owes much more to an intersection of different types of beliefs. Particular economic models were often linked to principled ideas or ingrained cultural beliefs and values, which is one reason why it is often more difficult to switch causal ideas when confronted with contradictory evidence. For example, in Latin America, the principled ideas about the importance of Latin American nationalism and autonomy have been historically linked to the causal ideas about the effectiveness of ISI. Not only was ISI believed to offer the most rapid route to economic growth, but it was also valued because it was seen as providing Latin American countries with autonomy and a national sense of pride.

### **Changing Ideas about Development in Latin America**

Two central shifts in economic paradigms or economic models have taken place in Latin America over the last sixty years. The first shift in the direction of ISI emerged in the period of the 1940s and the early 1950s. A number of different economic models were equally viable in Latin America in the postwar period. But ISI was the model most captivating to a continent traumatized by memories of its vulnerability during the Great Depression and World War II (Sikkink 1991). ECLA did not lead the move toward this new policy, but it was important in legitimizing the policy and providing the theoretical justification for changes already underway (Hirschman 1961, Bielschowsky 1985).

The second major shift was the neoliberal turn toward greater openness to international trade in the 1980s. In essence, these policies called for trade liberalization, a reduced role for the state in the economy, privatization of state-owned companies, reduced fiscal deficits, and competitive exchange rates. Initially, there was a strong association between these neoliberal policies and authoritarian governments, since the original advocates of neoliberal policies in the region were the bureaucratic authoritarian regimes of the 1970s, especially Chile under Pinochet, and the military juntas of Argentina and Uruguay (Foxley 1983). These policies were later continued by many of the democratic governments that took over in the 1980s and 1990s in Latin America.

### **Classic ECLA Theory**

The United Nations' creation of ECLA in 1948, against the will of both the United States and the Soviet Republic, reflected the desire of Latin America and other Third World delegations for the United Nations to

address the issues of development and industrialization. ECLA set up shop in Santiago, Chile, and enlisted Argentine economist Raúl Prebisch to prepare a study of Latin America's economic situation for the 1949 ECLA Conference in Havana. This text, a ringing critique of the international division of labor and declining terms of trade for producers of primary products, called for industrialization as the only path to development in the underdeveloped countries of Latin America (Prebisch 1950).

There are a number of excellent discussions of ECLA theories and work (Hirschman 1961; Cardoso 1977; Love 1980; Sunkel 1979; Rodriquez 1981; Bruce 1977). Although ECLA work is extremely diverse and has been transforming slowly over time (Pinto 1983), a few central assumptions and arguments presented in the early documents became associated with ECLA thought throughout the continent. Most of these central propositions were laid out in the 1950 Prebisch document, which Albert Hirschman has called the "ECLA manifesto." The first central assumption is that the domestic economies of Latin American countries needed to be analyzed in the context of a global economy divided into center and periphery. The development of the periphery could not be expected to follow the development patterns of the center and, as such, special types of analysis and rules governed development in the periphery. According to Prebisch, the primary mechanism through which the development of the periphery was conditioned by development in the centers was through the declining terms of trade for primary products. Key policy prescriptions followed from this analysis. Only through industrialization would the periphery achieve development and obtain its share of the benefits of technical progress. ECLA argued that because protection in the center interferes with resource allocation and shrinks world trade, protection and import restrictions in the periphery were required to increase industrial output and add to the total product (Hirschman 1961). ISI focused on the internal market; *desarrollo hacia adentro*, or inward-oriented development became the hallmark of ECLA thought. Later, in the 1950s and 1960s, ECLA also placed increased emphasis on economic programming or planning techniques as a means for the state to direct more rationally the development process, and on the importance of regional integration to escape the barriers of small domestic markets.<sup>6</sup> Although classic ECLA thought emphasized inequality among countries, it did not have an explicit focus on poverty or equality within countries, although many of its proponents were deeply concerned about these issues. Rather, ECLA thought, much like liberal thought in this sense, assumed that greater income equality within countries would follow naturally from the ECLA's other policy prescriptions.

Classic ECLA thought had more influence in some Latin American countries than in others. Achieving the most influence in Chile and Brazil,

it met with enthusiasm in Central America and the Caribbean, but enjoyed less influence in Mexico, Peru, Colombia, and Argentina (Sikkink 1988). Much like other schools of thought, once put into practice, ECLA prescriptions often were taken beyond the intentions of their originators. Prebisch had stressed that industrialization was not incompatible with the efficient development of primary production nor with more active Latin America foreign trade (Prebisch 1950); but in practice the ECLA ideas were often implemented in a way that led to the neglect of and even discrimination against the primary export sector, and to a gradual decline in Latin American participation in world trade. Likewise, Prebisch and ECLA never ruled out the possibilities that industries would expand and eventually move beyond the internal market into industrial exports. But the manner in which ISI was applied in Latin America often led to what ECLA would later call "elevated and indiscriminate protectionism." If ECLA didn't have an "antiexport" bias, as some of its critics charged, it did exude a certain "export-pessimism" that led to a relative deemphasis on industrial as well as primary exports.

The ideas of ECLA resonated with many strongly held cultural views in Latin America. In addition to its consonance with nationalist sentiment on the importance of being able to produce one's needs domestically, ECLA thought gave Latin Americans an explanation for the frustrating experience of backwardness, which could now be attributed to the international trading system, rather than to some internal failing. It also presented a relatively simple recipe for success.

### **Shifting Ideas within ECLA**

Between the publication of the so-called "ECLA manifesto" in 1950, and the most recent documents in the 1990s, ECLA has experienced a clear shift in its economic model and the resulting policy prescriptions. This shift from classic ECLA thought to the "new" ECLA thought is clearly revealed by interviews with ECLA staff members and by comparisons of a key early document with important documents from the 1980s and 1990s.<sup>7</sup>

A key ECLA document from 1990 reveals a totally different vocabulary and analysis from classic ECLA thought. The one striking continuity is the importance placed on industrialization and technical progress, but the other dominant themes have changed. The 1990 report does not mention the terms "center" or "periphery" or the concept of "declining terms of trade," although there are some discussions of the influence of the external economic environment on domestic development.<sup>8</sup> New ECLA thought stresses export promotion, international competitiveness, and international openness, while downplaying ISI and the domestic market.<sup>9</sup>

The overall thrust of the 1990 document is on the importance of domestic policy to transform domestic production structures rather than on the external conditioning of Latin American development.

This shift is particularly surprising in an organization like ECLA which was so closely identified with an earlier paradigm that its name has been virtually synonymous with ISI. A superficial reading of the new ECLA reports would lead one to believe that ECLA had "gone over to the other side." Although new ECLA thought consciously tries to set itself apart from an ISI model and neoliberalism, the alternative model they propose sounds more like neoliberalism than classic ECLA thought (ECLAC 1990). One ECLA theorist has called the new approach neostructuralism. Whereas ECLA before advocated *desarrollo hacia adentro* (inward-oriented development), the new approach now calls for *desarrollo desde dentro* (development from within) (Sunkel 1991).

The new tides don't quite convey what is unique about the new ECLA approach, and how far it has changed from classic ECLA thought. By 1990, ECLA was trying to correct both what it saw as the main errors of the ISI approach *and* of neoliberalism. More than any neoliberal analysis, ECLA stresses the problems of poverty in the region, and the importance of finding a development strategy that increases equity while leading to growth. This is what ECLA is now calling "an integrated approach," which emphasizes that growth, social equity, and democracy can be compatible (ECLAC 1992).

In order to promote growth with equity, ECLA supports the general move in the direction of trade liberalization, competitive exchange rates, and export promotion, while still advocating a more central role for the state in directing the new economic policy (Wise 1990). The 1990 ECLA report points out that the goal is not economic openness per se, but rather competitiveness, and that such competitiveness requires, above all, the deliberate and systematic incorporation of technical progress. ECLA thought differs from neoliberal ideas by advocating that the state adopt an industrial, technological, and educational policy to help manage and direct the liberalization and development process. In particular, ECLA emphasizes the importance of the state helping industry to assimilate new technology, supporting healthy linkages between private firms and public institutions like universities, and improving the intersectoral linkages between industry and agriculture. <sup>10</sup>

When exactly did this paradigm shift occur at ECLA? ECLA itself highlights the 1990 document as "a milestone in a process of analysis and reflection that had begun long before," and "a central point of reference for the thinking of the institution" (ECLAC 1992). The analysis of ECLA documents from the 1960s, 1970s, and 1980s (ECLA 1972, 1973, 1983; ECLAC 1990, 1992) confirms this point. Although subtle shifts constantly

occur in ECLA thought, the 1981 report still has more important continuities with the paradigm of the 1950s than with the new thinking of the 1990s. In the 1981 *Economic Survey for Latin America*, the concepts of center, periphery, and declining terms of trade are as pronounced in 1981 as they were in 1950. There is no mention of trade liberalization or of the need for economic openness. Given the continuity of ECLA analysis from 1950 through the early 1980s, the changes recorded in the 1990 document represent a paradigm shift that took place sometime in the mid-to late-1980s at ECLA. This is confirmed by ECLA staff, who discuss a long process of transition, which nevertheless did not culminate until the publication of the 1990 document and its presentation at the ECLA meeting in Caracas. <sup>11</sup>

### **Explanations for Paradigm Shift: Power/Interests**

How can we explain such dramatic shifts in development models? The most common answer in comparative studies of paradigm shift in the Third World has been that ideas are imposed by power, especially by economic and military power. This approach has led to the deemphasis of ideas in and of themselves, since they are seen mainly as a thin disguise for the play of interests and power. This is what Clifford Geertz has called the "interest theory" of ideology, where ideas are seen as a "mask and a weapon" (1964). This is still the dominant approach for understanding economic policy and paradigms in Latin American politics. Dependency theory and other theories of economic interest groups embrace this conceptualization of the role of ideas, as does much recent work on the political economy of Latin America. As Cooper and Packard note in the introduction to this volume, such an approach to development discourse is also shared by some postmodernist critiques, which see development discourse as "an apparatus of control and surveillance. . . —a knowledgepower regime," imposed by the West upon the developing world. Such interpretations have seen the shift to neoliberal economic ideas in the 1980s either as resulting from powerful international economic interests imposing their model on Latin American countries in the wake of the debt crisis (with the International Monetary Fund (IMF) playing the role of the organizer of the interests of the international capitalist class), or resulting from the realignment of domestic economic coalitions. There is little room in these models for "learning," for changing minds, or for changing perceptions of interests. A particularly compelling version of the power explanation, points to the chilling impact that severe repression under military rule in the 1970s and 1980s in Latin America had on the debate over economic policy in many Latin American countries.

## Explanations for Paradigm Shift That Stress "Learning"

The other main explanations for changing ideas focus on the processes of learning in situations characterized by complexity, failure, anomaly, and new information. Hugh Hecló (1974) sums up this approach when he says "Governments not only power . . . they also puzzle."<sup>12</sup> The learning approaches perceives humans as engaged in reasoning about and processing new information from the environment in an attempt to make sense of their world. The unit of analysis is the individual, the community of individuals sharing common ideas, or the institutions in which ideas become embodied. But this approach as yet lacks the coherent set of assumptions and research programs that characterize some of the other approaches to comparative politics and development.

Recent work on ideas in international relations has focused on the concept of epistemic communities—"networks of knowledge-based experts"—to understand the process through which experts introduce new ideas that can lead to changing patterns of behavior (Haas 1992). With its clearly identified common paradigm and its tightly knit group of economists, ECLA fits the definition of an "epistemic community."<sup>13</sup> Because economic issues are always characterized by a technical complexity and distinct communities of experts that closely resemble "epistemic communities," a learning approach seems initially plausible. The complexity argument alone, however, does not offer a compelling explanation for why an ideational shift occurs at ECLA in the 1980s. The complexity of Latin American economies did not change in such a pronounced or sudden form in the 1980s as to explain the shift in economic paradigms at this time.

Other authors using a "learning approach" have pointed out that new ideas often emerge in response to dramatic policy failures or crises, where past policies have failed to resolve problems, leading to a search for new conceptions upon which to base new policies.<sup>14</sup> This relationship between crisis and failure and the adoption of new economic ideas has been found in a number of different countries and time periods. The two types of crisis or failure most often mentioned include major depressions and war (Furner and Supple 1990).

A useful supplement to the simple notions of failure or success as ways of thinking about why people adopt new ideas is Peter Hall's notion of "persuasiveness." Hall argues that what makes an idea persuasive is the way the idea relates to the economic and political problems of the day (1989). This appears to suggest that there is never a single definition of success and failure, but that both success and failure are interpreted in terms of



what are perceived as the most pressing problems facing a country at a particular time.

A third prominent "learning" explanation for the influence of new ideas focuses on the accumulation of anomalies—i.e., outcomes that don't fit the expectations induced by the existing paradigm. Rather than dramatic failure or crises, the anomaly argument suggests that it is the accumulation of small discrepancies that cannot be explained with the old model that eventually leads to the adoption of new ideas. Similar to the process that Kuhn suggests is common in the natural sciences, policy paradigms are resistant to anomalies and may at first suppress them, but the accumulation of unresolved puzzles eventually leads to an increased questioning of the model (Kuhn 1970: 64–65).<sup>15</sup>

### **Institutional Explanations**

The strength and continuity of new ideas often depend on the degree to which they become embodied in institutions. The ideas that have been successfully implemented and consolidated are those which have been instilled within an institutional home, where a team of like-minded people transforms their individual ideas into institutional purpose.<sup>16</sup> Many of these institutions were state institutions, part of the economic apparatus of the state, but other institutions outside the state, such as ECLA or the World Bank (Finnemore, this volume), have also played important roles in the transmission of ideas. The importance of institutions for embodying ideas also means that institutional factors will affect paradigm shift.

One of the main claims of institutional analysis is that institutional change is episodic and "sticky" rather than continuous and incremental (Ikenberry 1988). Similarly, we would expect ideas in institutions also to have a "sticky" quality. What is most interesting about the case of ECLA over the first forty years of its existence is that it illustrates the possibility for paradigm shift within an institution. Usually we think that ideas change when new epistemic communities with new ideas come to the fore. This was an important part of the story in Latin America, as the new neoliberal economic ideas of the 1970s and 1980s were associated with the influence of a group of economists trained at U.S. universities, especially at the University of Chicago. But the shift of the 1980s is due to more than just the influence of a new epistemic community, the "Chicago Boys." It also reflects a broader shift in disciplinary knowledge and in cultural values and beliefs. The changing ideas within existing communities of scholars like ECLA are indicative of this broader trend.

How can we consider and evaluate the explanations discussed above to explain changing ideas at ECLA? Clearly power is at play. Economic policy

changes in developing countries usually involve more external coercion than those in industrialized countries because the decisions of external economic actors can have a more powerful effect on these more vulnerable economies. The IMF, the World Bank, and bilateral lenders have used stiff conditionality requirements to oblige borrowers to adopt neoliberal policies. Yet, to chalk up such a major ideational shift solely to the power of external forces clearly misses an important part of the story. Contrary to some of the governments of Latin American countries, ECLA was not "forced" to make the ideational shifts that it made. It was not severely in debt; it did not require IMF approval; it was not dominated by U.S. banks or by domestic economic lobbies. Looking at idea shifts in ECLA separates us to some extent from the brute force of power and interest politics, and leads us to inquire about how more insulated intellectuals and international civil servants change their minds. The repression/power argument is initially more convincing. Among the countries most represented among the staff at ECLA were Chile, Brazil, Argentina, and Uruguay, because of their proximity to the ECLA headquarters in Santiago, Chile, and because the teaching of economics was relatively well developed in their universities, as compared to other countries in Latin America. All four of these countries experienced severe military rule in the 1960s and/or 1970s. Faculty members associated with leftist thought were removed from their positions in universities, activists were tortured, imprisoned, disappeared, and murdered. A generation of scholars and potential scholars was lost, as students were targets for repression.

And yet, this explanation is not entirely satisfactory. The initial stages of repression in Brazil, for example, actually contributed to radicalizing ECLA thought, as scholars in exile joined the ECLA staff in Santiago. The Brazilian sociologist Fernando Henrique Cardoso, forced into exile after the coup in 1964, together with Enzo Faletto wrote the seminal text of dependency theory, *Dependency and Development in Latin America*, while they were working at ECLA (Kahl 1988).

The most intense years of repression in Brazil, Uruguay, Chile, and Argentina came well before the paradigm shift at ECLA. During the height of repression, ECLA steadfastly maintained its ideological identity as an island of structuralist thought in a sea of Southern Cone authoritarian countries adopting neoliberal and monetarist policies. In Brazil, the height of repression came during the Médici administration (1969–1974); in Argentina, repression peaked during the period 1976–1979; in Uruguay, from 1972–1977; and in Chile from 1973–1977.<sup>17</sup> During these years, the authoritarian regimes committed the bulk of human rights violations, including executions, disappearances, torture, and political imprisonment. Paradigm shift in ECLA occurred a decade after the end of

these intense waves in repression, and indeed after redemocratization had occurred in Argentina, Uruguay, and Brazil in the mid-1980s.

Repression left deep marks on these societies. A generation of future leaders and scholars was lost or scarred. In Chile, for example, of the 2,279 cases of death and disappearance that the Rettig Commission investigated, 60 percent of the victims were under thirty years old. In these 2,279 cases, twenty were professors and 324 were students.<sup>18</sup> These numbers do not include the thousands of individuals who were imprisoned and tortured but later released. Although the report doesn't tell us about the beliefs of the victims, we can assume that many of them were supporters of President Allende, and identified with progressive or socialist beliefs. Many of the students and intellectuals who disappeared might have identified themselves as believers in dependency theory, structuralism, or classic ECLA doctrine. Of the other many thousands that went into exile, a significant percentage never returned to their home countries.

Repression alone, however, cannot necessarily explain the paradigm shift within an economic institution like ECLA. Such an explanation would suggest that a wide range of ideas associated with the left would have been suppressed in these societies. Yet individuals and groups in these countries continued to advocate unpopular ideas of many kinds during and after the military governments. Human rights organizations in all of these countries continue to press for justice for victims of human rights abuses, while new feminist, environmental, and neighborhood organizations emerged and expanded. There was an explosion of civil society and social movement organizations in the waning days of the military regimes, and some of these social movements have continued to grow in their numbers and demands. We have examples in Latin America where savage repression, such as the repression in Nicaragua under Somoza, or in El Salvador in the 1980s, led not to silence but to radicalization of the population. Repression alone cannot explain the ideological content of ideas after that repression is lifted.

Political repression, together with the pressures of international financial institutions, foreign governments, and the changing expectations and demands of the governments of the region formed one part of a regional and international context within which the process of paradigm shift occurred. Repression was one part of the "material matrix of affirmations and sanctions" in the language of Goran Therborn, within which the debate in ECLA took place in the 1970s and 1980s (Therborn 1980).

But the international context was not only one of "material" affirmations and sanctions, it was also one of symbolic, interpreted, and contested meanings. The symbolic impact of the demise of socialism in Eastern Eu-

rope and the Soviet Union appears to have had more influence on ECLA thought than the physical facts of repression.<sup>19</sup>

The connection between economic crisis or failure and changing economic policy is also clear in the case of Latin America. The two most important shifts in economic policy making in Latin America both occurred in the wake of the two largest economic crises of the twentieth century. The first move to national populism occurred as a result of the experience of both the Great Depression and World War II, while the second was consolidated in response to the crisis of the 1980s, the most serious economic decline in the region since the Great Depression.<sup>20</sup>

In the case of Latin America, most authors agree that the original adoption of national populist ISI was a response to the perceived failure of the liberal model during the Great Depression and World War II. The opening paragraphs to the ECLA manifesto assert the importance of crisis for contributing to paradigm shift. "In Latin America, reality is undermining the out-dated schema of the international division of labor. . . . Two world wars in a single generation and a great economic crisis between them have shown the Latin American countries their opportunities, clearly pointing the way to industrial activity" (Prebisch 1950). The Great Depression and the war led many Latin Americans to believe that the international economy was unpredictable and undependable, and was likely to remain so in the future.

In an interview, Prebisch confirmed the role of crisis in leading to a shift in his own ideas about development. As a brilliant young student of economics in Buenos Aires, Prebisch had been a believer in free trade, the gold standard, and the international division of labor. Later, as an economic policymaker in the Argentine government and director of the Central Bank during the Great Depression, Prebisch began to question his ideas. "During the Great Depression, in spite of the fact that I had been a neo-classical economist, I realized that faced with the crisis, it was necessary to industrialize. And I did it with a qualm of conscience because it ran against all my ideas. But in light of the events and the intensity of the crisis, I said that there was no alternative. Then I began to theorize."<sup>21</sup>

This statement by Prebisch is very telling, especially in relation to theories of knowledge that argue that there is no "reality" independent of our interpretations of it. Yet Prebisch "saw" things that his existing intellectual apparatus (neoclassical economics) did not anticipate or explain. Despite his firm belief in the free market, he believed that the intensity of the crisis of the depression forced him to reevaluate his existing ideas and search for alternatives. He first advocated new policies (industrialization), and later developed a new theoretical construct to explain what he had seen.

Current ECLA staff describe a very similar process during the paradigm

shift in the 1980s. One ECLA economist tracing the sources of shifting ideas within the institution said it came in response to "a challenge that reality set forth," referring to lagging economic growth, hyperinflation, and worsening inequality in Latin America in the 1980s. No matter how much ECLA theories predisposed it to search for the external sources for the crisis, it could not wish away or ignore that Latin America's crisis was far deeper than that of other continents operating within similar external constraints. ECLA was occupied offering advice on short-term crisis management to member governments. In this context, some orthodox economic ideas and tools entered into the ECLA repertoire. Only later did ECLA begin a systematic and conscious effort to revise its theoretical framework.<sup>22</sup>

This explanation still begs the question, however, since "reality" or "failure," like beauty, is partly in the eyes of the beholder. What is it that permits the analyst to interpret a particular reality as the failure of an economic model? In order for the concept of failure to be more useful in explaining paradigm shift, we have to have more precise definitions of what constitutes failure or crisis. Let us begin with the most simple assumption: that perceptions of economic failure are conditioned by a rapid fall in levels of economic growth. Economic development is much more than economic growth, but most of this "much more" is dependent on a minimum level of economic growth.

The Great Depression in Latin America was a period of rapid fall in levels of economic growth. The decline in GDP was most severe during the 1929–1932 period, after which it began to improve. Most countries had recovered 1929 levels of real GDP by 1935, although some, such as Chile, Honduras, and Nicaragua, suffered a more severe recession for a longer time (Thorp 1984: 334). Figures on gross domestic income, taking into account the relative fall in export and import prices, reveal that Chile and Cuba were the worst hit countries in Latin America, and Chile was the worst hit in the world (Kindleberger 1984).

The most striking failures in the 1930s and 1940s for Latin America, however, were substantial external shocks during the Great Depression and World War II, including the loss of export markets and severe supply shortages. These supply shortages exacerbated the deterioration of the physical capital base and the shortage of basic goods. Export levels in some countries suffered more during World War II than they had during the Great Depression, while the fall in imports in many countries was much more drastic than was the decline in exports.<sup>23</sup>

This suggests that we need to refine the concept of failure or disillusionment. The nature of the failure perceived can modify the type of lesson learned from the failure. In the case of the great Depression and World War II in Latin America, the failure was seen more as a breakdown

of the international trading order than a crisis of growth. These events did not determine the nature or content of policies; they only created certain predispositions and attitudes. A decade of trying to revive traditional export markets, and almost fifteen years of shortages of foreign industrial imports, undermined faith in free trade and comparative advantage.

### **Dramatic Failure Followed by Initial Success**

But the same experience of failure was simultaneously perceived as an opportunity. The initial wording of the ECLA manifesto states that the major crises of war and depression "have shown the Latin American countries their opportunities." A second perception generated by the experience of World War II and the Great Depression was that the efforts to "go it alone" through ISI had been surprisingly successful, and were the most promising route for future economic policy. The success of the heterogeneous policies adopted by Latin American states in the 1930s and 1940s created confidence in alternative paths to development (Diaz Alejandro 1982). Rather than simple failure, it was the *combination* of perceived failure and initial success that contributed to the adoption of import substituting policies. <sup>24</sup>

During the twenty-year period from 1950–1970, the region's total gross domestic product grew at an average annual rate of close to 5.3 percent. International comparisons showed that the growth rates achieved in the region as a whole were above the average achieved in other developing regions and close to the rates achieved by the industrialized countries (ECLA 1972). Although population growth made the per capita figures much less favorable, the overall trend was uniformly one of positive growth. Latin America had become so accepting of relatively high levels of economic growth that the main debate in the *Economic Survey of Latin America 1970* was whether Latin America should accept the growth target of 6 percent set by the international development strategy of the second U.N. Development Decade, or should set a higher target rate of 7 or 8 percent annual growth. In the early 1970s, economic growth was almost taken for granted. "One thing that is being demonstrated by Latin America's experience is that the economies of the region are capable of attaining high growth rates; this is most propitious and should encourage them to persevere in their efforts to reach more ambitious targets" (ECLA 1972).

Growth levels alone, however, can't explain perceptions of development, because despite the relatively high levels of growth during the period 1950–1980, many Latin American intellectuals continued to be

highly disillusioned with Latin American development. Much of the political economic analysis of this period exudes pessimism. Hirschman, among others, has grappled with this topic and offered engaging answers ranging from "fracasomania" to the belief that people never recognize success until it is behind them (Hirschman 1981, 1987). Those critical of the economic model of the 1960s focused on ongoing income inequalities in the region, and dependence on foreign capital. The thrust of these criticisms, often lumped together under the title of dependency theory, was that Latin America needed to find more autonomous and more egalitarian forms of development. Although the foremost work on dependency theory was written while the authors were working at ECLA, dependency theory as such was never clearly advocated by ECLA publications.<sup>25</sup> The disillusionment of the late 1960s and early 1970s expressed by dependency theory did not lead to a paradigm shift, either within ECLA, or in most of the countries of the region.

Not until the 1980s did Latin America experience the kind of dramatic failure that the literature would suggest should lead to a paradigm shift. The decade of the 1980s was referred to as the "lost decade" because of the debt crisis and the resulting stagnant and declining levels of economic growth throughout the region. At the end of 1989, the region's average per capita GDP was 8 percent lower than it had been in 1980, and was the same as that of 1977 (ECLAC 1990).

While the economic crisis of the 1930s was perceived as a failure of the international trading order, the crisis of the 1980s was interpreted differently. In the 1930s, Latin America's economic crisis was part of a huge global economic crisis. In the 1980s, the regional crisis in Latin America was much greater than elsewhere.<sup>26</sup> The crisis was intimately connected to the level of debt, and Latin American countries topped the list as the largest debtors. These differences in the level of economic failure in Latin America, as compared to economic trends elsewhere in the developing world, contributed to the shift in economic ideas at ECLA.

Yet, just like the 1940s, it was the combination of success and failure that consolidated changing ideas about development. As in the 1930s, when necessity was turned into virtue when ISI appeared to offer a more dynamic model of growth, so in the 1980s, neoliberal stabilization policies eventually began to yield some important benefits in the form of reduced inflation, improved balance of trade, and expanded investment. They also brought heavy costs, especially to the working groups and middle sectors who often bore the brunt of the stabilization in the form of unemployment, declining wages, and increased prices.

The initial successes of neoliberal programs won converts to the cause. The case of Chile is most illuminating in this respect. Under a neoliberal economic program, Chile experienced rapid growth and relatively low

inflation during the period 1985–1991, although these were accompanied by high unemployment and other social costs.<sup>27</sup> The shift within ECLA mirrored a simultaneous shift going on among many intellectuals who identified with the Chilean left. In the first democratic elections after the end of the Pinochet dictatorship, Patricio Aylwin, supported by a center-left coalition of Christian Democrats and Socialists, reached the presidency on campaign promises to maintain many aspects of the neoliberal economic model inherited from the military government, while addressing the social costs of that program. After taking office, the Aylwin administration launched an aggressive antipoverty program using a combination of tax increases, heavy social spending, and a continuation of many of the vigorous free-market economic policies of the Pinochet government. The policy succeeded in lifting an estimated one million people from poverty during the first three years of the Aylwin administration.<sup>28</sup> The Frei government continued the economic policy direction of Aylwin.

The ECLA central offices are located in Santiago, Chile, where the ECLA staff was able to closely observe the Chilean economic experiment. The debate within ECLA was fueled in part by differing evaluations of the economic "accomplishments" of Chilean neoliberalism. The power of the Chilean example for new ECLA thinking, despite that many of the neoliberal policies were initially implemented under extremely repressive political conditions, is shown in the positive examples given in the illustrative boxes of the 1992 report. Diverse Chilean social and economic policies are referred to as positive examples in eleven of these boxes, more than any other single country in Latin America (ECLA 1990). Some of these policies were implemented by the new democratic government, but others were carried out under Pinochet.

By the mid- to late-1980s, a series of economic indicators led many ECLA insiders to question the validity of classic ECLA doctrine. ECLA, as a community of experts, self-consciously tried to evaluate the strengths and weaknesses of its hypotheses in light of this data. The major anomalies that ECLA staff confronted included 1) the dynamism of the world economy from 1950–1970 (ECLA 1973); 2) the better-than-average performance of Latin American countries during the economic crises of the 1970s; and 3) the worse-than-average Latin American performance during the economic crisis of the 1980s.

ECLA in the 1940s had anticipated a global economy after World War II similar to the economy after World War I. Instead, the world economy expanded dramatically between 1950 and 1970. During this period of tremendous expansion of international trade, Latin America's proportion of world trade deteriorated even more than the norm for developing countries, falling from 11 percent in 1948, to 7 percent in 1960, and to 5 percent in 1970 (ECLA 1973).



By the early 1980s, ECLA economists looking at the development patterns in Latin America began to question a second central hypothesis of the ECLA causal model: that the development of Latin America could be explained mainly by reference to economic events in the center. The dominance of causal thinking and the reliance on empirical evidence is clear in these ECLA reports. The better-than-average performance of the Latin American economies in the 1970s, despite the oil price hikes of 1973 and 1979 and the recession of 1974–1975, first led ECLA economists to question the external conditioning hypothesis. "Somehow, the region seemed to be successfully defying its external conditioning," said ECLA in its 1981 report (ECLA 1983).

The *Economic Survey of Latin America 1981*, however, vacillates on the external conditioning theory. One paragraph begins, "The developing countries today no longer merely respond to, or simply reflect events in the developed world." Yet this same paragraph ends saying, "On balance, the evolution of most non-oil exporting developing nations was heavily conditioned by the sluggish performance of the central economies" (ECLA 1983). These internal contradictions within ECLA documents reflect a debate going on within ECLA at the time, as each document was "negotiated" by different perspectives. <sup>29</sup>

A third important puzzle first appeared in the 1981 survey, and reappeared with greater emphasis throughout the decade of the 1980s: the poor performance of Latin America during the economic crisis of the 1980s in light of the extraordinary economic performance of some countries of East and Southeast Asia. Discussing development trends in developing countries in 1981, ECLA mentions that "only the developing countries of South and East Asia deviated from these trends, registering a remarkable growth rate of over 6 percent which far outdistanced not only other developing countries but the developed economies as well" (ECLA 1983).

One ECLA theorist, Fernando Fajnzylber, was particularly influential in contributing to changes in thinking within the institution. Using a simple but powerful two-by-two table, he demonstrated that although growth and equity can be complementary objectives, in the case of Latin America there was not a single contemporary case where this had happened, despite three decades of ISI.<sup>30</sup> Fajnzylber referred to this category of growth with equity as the *casillero vacio*—the empty box or cell—in Latin America. Nevertheless, Fajnzylber argued that elsewhere, especially in Asia and Southern Europe, growth with equity had been achieved.

The example of Fajnzylber illustrates Donald McCloskey's (1985) point, discussed in the introduction to this volume, about economic arguments as conversations and exercises in persuasion. Fajnzylber was a gifted expositor and writer, and he engaged in an exercise of persuasion

within ECLA that was apparently very compelling. He didn't have better data than that offered by other ECLA colleagues or opponents. But in the context of increasing data questioning the classic ECLA doctrine, he came up with a powerful metaphor to convince his colleagues. The table with the "empty box" helped intellectuals separate their original goals—"growth with equity" from the policy strategies they believed would lead to those goals, and to consider why the strategies had not allowed Latin American countries to reach those goals.

This led, in turn, to a form of self-criticism for ECLA, since the main difference between the situations in Latin America and Asia was not the international situation, but rather different domestic policies. This comparison contributed to new thought at ECLA where the relationship between growth and equity was seen to depend largely on the domestic policies chosen, an emphasis that reiterates the move from the external conditioning hypotheses to a new focus on the centrality of domestic economic policy.

By 1992, this puzzle led ECLA to make a causal argument countering part of the external conditioning hypothesis.

The absence of even a single case in the [Latin American] region in which economic growth has been combined with social equity raised the question . . . of whether the exacerbation of the situation during the crisis of the 1980s might not be attributable to the international context. However, other newly industrialized countries have obtained different results. An examination based on the same comparative indicators of GDP growth and income distribution shows that numbers of European and Asian countries having quite different economic and institutional makeups have been more successful in reconciling satisfactory levels of growth and certain goals in respect to social equity, and many of them were also able to surmount the adverse international conditions existing in the early 1980s (ECLAC 1990).

This process of puzzling that went on at ECLA prepared the ground for the later paradigm shift, but might not have led to a major change had it not been for the major economic crisis of the 1980s. But in the context of a major economic crisis, a series of unresolved puzzles and contrasting cases elsewhere in the world led to a questioning of the model and to a self-described process of learning, similar to that discussed by Hecló in his study of social policies in Europe (Hecló 1974). Of the major explanations for paradigm shift considered here, the combination of failure or crisis with the initial success of the new model appears to be the most useful for understanding the change of economic models at ECLA. Although failure can tell us about receptivity to paradigm shift, it cannot tell us the content of the new paradigm. Failure leads to movement away from the failed paradigm. In Latin America, the crisis of the 1980s guar-

anted movement away from import-substituting industrialization. But there are very few economic models that have dominated the economic debates in Latin America.

In the mid-1980s some new democracies adopted "heterodox" policies which were seen as a middle ground between the neoliberalist and structuralist policies of the past. Both Argentina and Brazil experimented with a "heterodox shock" as a means of bringing down inflation and reestablishing growth. Peru also experimented with its own version of heterodoxy. These heterodox programs were loosely associated with ECLA thought, and their progress was closely followed by ECLA staff. Based on the belief that Latin American inflation was partly inertial—feeding on the expectations of future inflation—the heterodox shock programs offered a moderate alternative to the orthodox shock programs of the IMF. Wage and price controls helped protect working people, while at the same time breaking inflationary expectations (Bresser Pereira and Nakano 1987). While these programs were often very successful and politically popular in the short term, as soon as wage and price controls were lifted, inflation (and sometimes hyperinflation) reestablished itself (Sola 1989; Smith 1989). The respective economic crises resulting from the failure of the heterodox plans go far in explaining why Raul Alfonsín in Argentina, Jose Sarney in Brazil, and Alan Garcia in Peru left office with a total lack of popular support.

The apparent failure of these moderate experiments appeared to have closed off yet another alternative, and sealed the return to orthodoxy. ECLA concluded that the effects of heterodox stabilization plans will "not be long-lived unless it is coupled with policies that attack the 'fundamental' imbalances: the fiscal and external deficit" (ECLAC 1990).

ISI ideas were persuasive in the 1940s and 1950s because they addressed directly and forcefully the issue that was seen by many as the central economic problem of the time in Latin America: the need for rapid industrialization. ISI was also appealing to policymakers because it offered a compromise program between the demands of the international economy and the demands of domestic groups. For new models to be adopted, they needed only be persuasive to a fairly small group of policymakers and intellectuals; for a model to be sustained over time, however, it had to be persuasive to a broad range of societal groups.

Neoliberal economic ideas ran counter to the nationalism and statism ingrained in Latin American political and economic discourse. Although they initially faced opposition, neoliberal ideas eventually began to appear more persuasive because they also addressed some of the most pressing problems of their time: inflation and the resumption of growth. In the 1960s and 1970s, many Latin American policy makers saw inflation at worst as a bothersome but not debilitating side effect of their policies—

and at best, as a disguised means to transfer incomes from lower priority sectors to higher priority sectors. By the 1980s, extremely high levels of inflation led to inflation itself being perceived as the central economic problem. The failure of heterodox shocks to address inflation made the orthodox neoliberal ideas more persuasive. The experience of high inflation convinced policymakers and publics alike that economic stability was a precondition for all economic policy making.

The other central problem of the 1990s is the resumption of growth. The relatively rapid growth in Latin America in the postwar period had been taken for granted, as regional economists focused on problems of dependency and inequality. But the absence of any economic growth in the 1980s made people refocus on growth as a necessary precondition for all other kinds of economic change.

Because external events impinge on Third World countries more strongly, the notion of persuasion as externally coerced is more evident here than in Western Europe or the United States. Policymakers may initially adopt economic policies based on ideas that are not internally persuasive, as is often the case with the economic policies advocated by the IMF, but eventually these ideas must generate domestic support or they will not be sustained. The initial success of new models at addressing pressing economic problems may help generate the necessary domestic support.

ECLA, as an intergovernmental organization, also was motivated by bureaucratic concerns, such as maintaining its relevance and usefulness to its government members, and thus maintaining its budget and institutional existence. When ECLA was created in the late 1940s, it was the first organization of its kind, and virtually the only important source of economic data, analysis, and training in Latin America. By the 1980s many other economic institutions had emerged, and ECLA now had to compete with national and regional economic institutions. One concern of ECLA leadership was that if ECLA thought didn't transform in reaction to changes in the world, it would be relegated to "the museum of ideas" and lose its relevance, and thus its support from member governments. As one ECLA staff person observed, "If we cling to old ideas we could end up being irrelevant and that is something we cannot afford. We are creatures of governments."<sup>31</sup> Another staff economist pointed out that the governments of the region were asking for alternative models to those being presented by the IMF and the World Bank, not so much to fight with these but to fill in what was missing.<sup>32</sup>

These suggestions, however, exaggerate the degree to which ECLA simply responded to pressures from governments. If ECLA was truly a "creature of governments" it would have changed its position in the mid-1970s, when most of the countries of the region had military governments

adopting neoliberal economic policies. ECLA was able to withstand considerable pressure to change in the 1970s because it believed in its positions, and because the pressures were coming from authoritarian regimes. By the late 1980s, the pressures and requests were coming from democratic governments with considerably greater legitimacy and at a time when staff within ECLA were facing puzzling development anomalies.

ECLA brought its perspective more in line with the neoliberalism of the 1980s, while at the same time it tried to maintain a distinctive voice or vision. This distinctive vision, which is the link connecting current ECLA thought to the concerns of classic ECLA thought, is the focus on poverty and equity in the region. Having agreed with some of the basic presumptions of neoliberalism, ECLA nevertheless insists that there can and should be no growth without equity, and that the welfare of the poorest 40 percent of the Latin American population, who live under the poverty line, must be taken into account. ECLA has also developed some innovative policies for addressing poverty in the framework of free-market economic policies.<sup>33</sup>

Certain ideas also have affinities with particular state or institutional structures (Sikkink 1991).<sup>34</sup> Developmentalist policies were more likely to find an institutional home within planning ministries and development banks. The "external conditioning of development" thesis held an affinity with the institutional needs of ECLA. As a United Nations body responsive to Latin American governments, ECLA was able to sustain more consensus among its members by emphasizing external obstacles to development rather than focusing on difficult internal reforms and redistribution (Dosman and Pollock 1991). This may help explain why it was difficult for ECLA to give up the external conditioning hypothesis. Only when new democratic governments themselves appeared to be demanding a new approach was ECLA able to complete the process of paradigm shift.

Powerful individuals within institutions often play important roles in the adoption and shift of ideas. Just as McNamara played a key role at the World Bank (Finnemore, this volume) Prebisch was a strong intellectual leader and a superb institution builder. He gathered a dynamic team of like-minded economists in Latin America to work with him at ECLA. His fame as a theorist, negotiator, and institution builder at ECLA led to his appointment during the 1960s as the first director of the new United Nations trade organization, the Conference on Trade and Development (UNCTAD). After Prebisch left ECLA, it never recaptured the same institutional prominence it had during his period of leadership, even when he later returned as a senior theorist and editor of the *ECLA Review* in the 1970s and 1980s.

Leadership changes can contribute to ideational shifts within institutions. Prebisch's succeeding executive secretaries, Enrique Iglesias and

Norberto Gonzales, both set into motion processes that contributed to the later paradigm shift.<sup>35</sup> They did not impose their own ideas upon the organization, but rather, through hiring decisions and a series of technical conferences, brought into ECLA the ideological and intellectual debate over economic policies going on within the region in the 1970s and 1980s. Once this ideological debate was occurring within ECLA, it created an intellectual energy and dynamism that contributed to the later paradigm shift.

The actual transformation in ECLA thought corresponds temporally to the tenure of the new executive secretary, Gert Rosenthal, who took office in 1986 and was responsible for overseeing the preparation of the key 1990 and 1992 transition documents. Connected to the question of institutional leadership is the issue of generational shifts within institutions. One factor that facilitated paradigm shift within ECLA was the process of the retirement of the "old guard" and its replacement by a new group of staff less personally invested in the maintenance of classic ECLA positions. The new staff members were more likely to have been trained in U.S. universities than the old staff and to have more mathematical and technical training. Most of the economists from around the region who had been hired to staff the new institution in the early 1950s had reached retirement age in the 1980s. New United Nations budgetary regulations that enforced retirement at sixty years of age speeded that process. Prebisch's death in 1986 was symbolic of the passing of a generation.

## Conclusions

Much more research needs to be conducted on how and why ideas acquire meaning in a political setting and how meanings are transformed. This study focuses on a subset of this larger question by inquiring how paradigm shift occurred in a small, albeit important economic institution. The study suggests some interesting conclusions for the more general study of ideas in comparative politics.

The case evaluated here provides strong support for the "failure" argument that has been frequently raised as an explanation for changing ideas. It also suggests that the combination of failure and the initial success of a new model make a more persuasive explanation of ideational shift. Neither "failure" nor "success" however, are obvious causes in all cases. Both the perception of failure and success is an interpreted response. The persuasiveness of new ideas relates to their ability to address what are perceived to be the most pressing economic and political problems of the day (Hall 1989). And yet, even within this highly interpreted world, theorists can change their minds based on evidence to which their models may not even direct their attention.

Even an institution like ECLA, which was closely identified with a particular paradigm, has significantly shifted its paradigm. These shifts neither come easily nor without debate, but major crisis and failure can provoke a process of reevaluation and learning that leads to internal policy shift. ECLA was consciously involved in a process of evaluating its hypotheses in light of the large amounts of economic data that it was constantly generating. The dramatic economic failure of the 1980s led the organization to reevaluate its ideas, to engage in a process of puzzling and of learning, and to adopt a significantly modified economic paradigm by the 1990s. The metaphor of the "empty box," countries that had achieved growth with equity in Latin America, helped ECLA economists to take a hard look at their model, and to revise and discard the parts of the model discredited by events. The failure of the "heterodox" experiments in Brazil, Argentina, and Peru in 1986 and 1987 closed off a perceived moderate alternative to neoliberalism, and the increasing economic success of the Chilean economic model after 1987 enhanced the power of aspects of the neoliberal model.

In ECLA, the process of paradigm shift was assisted by leadership and generational changes within the institutions as the old guard associated with classic ECLA thought retired and was replaced by a new generation of economists. In addition to "political learning" ECLA was also motivated by its desire for institutional survival. By adapting itself to the changing economic thinking of the day, while trying to keep a distinctive vision with its "integrated approach," ECLA hoped to stay relevant and maintain the support of member governments.

The process of paradigm shift within ECLA is troubling for both the more standard power explanations of policy shift in the Third World and for the postmodern critique (Cooper and Packard, this volume). New thinking at ECLA was not imposed from outside, but theorists at ECLA were aware of the changing nature of development discourse in Latin America, and realized that they would have to adapt if they were going to continue to be relevant and to survive in the new atmosphere. At the same time, they observed anomalies in the world that led them to question their previous models. Although events in the "real world" never exist independently of an interpretive structure, neither can these events fully be manipulated by any world view. Eventually real world events that consistently appear to be at odds with standard interpretations begin to call into question these interpretations, especially within disciplinary communities formed around shared causal ideas.

## Notes

1. The author would like to acknowledge the useful comments of Emanuel Adler, Peter Hall, Peter Johnson, and Carol Wise; the research assistance of Jen-

nifer Lee Smith and Kristina Thalhammer on earlier versions of this paper; and the comments of Frederick Cooper, John Sharpless, James Ferguson, Martha Finnemore, Thomas Biersteker, Arturo Escobar, and other workshop participants on the more recent version.

2. ECLA later changed its name to the Economic Commission for Latin America and the Caribbean (ECLAC), but I will retain the earlier name in this paper to avoid confusion when I compare the 1950s with the 1990s.
3. When Raúl Prebisch, the Executive Secretary of ECLA, was invited in 1964 to become the Director of UNCTAD (the U.N. Conference on Trade and Development), it was symbolic of his stature as a leading development theorist from the nonaligned world.
4. Peter Hall (1992) has distinguished three different levels of economic policy change. Following Kuhn (1970), he refers to the broadest of these as a "paradigm shift," or a "radical change in the overarching terms of policy discourse."
5. Hall (1989) has called these general ideas a nation's "structure of political discourse." In my earlier work, I have referred to them as "historically formed ideologies" (Sikkink 1991).
6. Classic ECLA thought is sometimes linked indirectly to the emergence of Keynesian ideas in the north. A number of key ECLA theorists were well versed in Keynesian thought, although they rarely described it as a source of ideas for ECLA. For example, Raúl Prebisch (1986: 164) wrote one of the first introductory texts to Keynesian thought in Spanish, although he later argued that he was never a Keynesian. Albert Hirschman (1981: 6) argues that the influence of Keynes was indirect. By suggesting that there were two kinds of economics, one which applied to the fully employed economy and another in which there was substantial unemployment of human and material resources, Keynes opened the door for the possibility of a special kind of economics for underdeveloped areas as well.
7. The documents analyzed are: Prebisch (1950), ECLA (1982), and ECLAC (1990). The content analysis was conducted by doing word and phrase frequency counts and examining key words in the first long introductory section of the 1950 document (approximately the first 7,000 words) and comparing the results with analyses of similar sections of ECLA documents from the 1980s and 1990s. For a discussion of methods, see Weber (1985).
8. This compares to the section of the 1950 document analyzed, in which the words "center" and "periphery" or the "center-periphery relationship" are mentioned fifty-nine times, the theme of declining terms of trade is referred to fifteen times, and the issues relating to primary products and raw materials are mentioned thirty-six times (Prebisch 1950).
9. In the analyzed portion of the 1990 document, the word "competitiveness" appears thirteen times, exports are mentioned nineteen times, trade liberalization and economic openness appear seven times, and references to changing production structures or production patterns appear twenty-six times (ECLAC 1990).
10. New ECLA thought has some similarities to and overlap with new theories of growth and trade in U.S. academic economics circles, such as new trade theory and endogenous growth theory (Krugman 1989; Romer 1994), but there is no evidence of obvious linkages between these schools of thought, and ECLA docu-



ments do not makes references to this large body of economic literature. I am grateful to Michael Carter, David Trubek, and Steve Boucher for alerting me to these similarities.

11. Interview with Oscar Altimir, Director of the Economic Development section of ECLA, November 2, 1992, Santiago, Chile.
12. Heclo (1974: 305) discusses uncertainty as one of the main sources of policy learning. Also see P. Haas (1992) for a discussion of the importance of complexity in the epistemic communities' literature.
13. One author defines epistemic communities as "Professionals . . . who share a common causal model and a common set of political values" Ernst Haas, (1990: 41). Peter Haas (1990 and 1992) has developed further the concept of epistemic communities.
14. John Odell (1982: 370–71) argues that a "major failure of past policy, or rather, extreme or accumulated evidence that can be readily interpreted as a consequence of past policy" is an important impetus to cognitive change. Albert Hirschman (1982) makes a related argument when he discusses disappointment as one of the main factors motivating social action. Ideational arguments have also been used to explain why policies remain unchanged despite repeated failure, as in the case of U.S. counterinsurgency policy in the Third World (Shafer 1988).
15. Kuhn (1970: 67) says that when the awareness of anomalies lasts long and penetrates deeply, one "can appropriately describe the field affected by it as in a state of growing crisis." This crisis of the paradigm, however, is different from the notion of dramatic failure or crisis discussed above, which describes a crisis or failure of policy.
16. Both Peter Hall and Emanuel Adler also have stressed the importance of institutions for carrying and disseminating ideas (Hall 1986: 276–80). In his study of the science and technology policy in Brazil and Argentina over the last twenty years, Adler presents a convincing argument that technocrats in institutions who hold collective understandings can "catalytically affect" events, leading to outcomes that would not otherwise occur (1987: 11, 327–29).
17. On Brazil, see Dassin (1986: 79, 234–38); on Argentina, Comisión Nacional Sobre la Desaparición de Personas, *Nunca Mas: The Report of the Argentine National Commission on the Disappeared* (New York: Farrar, Straus, Giroux, 1986), xi; on Uruguay, Servicio Paz y Justicia, Uruguay, *Uruguay: Nunca Más: Informe Sobre la Violación de Los Derechos Humanos (1972–1985)*, 116–17; and on Chile, Comisión Nacional de Verdad y Reconciliación, *Síntesis del Informe de la Comisión. Verdad y Reconciliación* (Santiago: Comisión Chilena de Derechos Humanos y Centro IDEAS, 1991), 93.
18. *Síntesis del Informe de Comisión Verdad y Reconciliación*, p. 92–94.
19. In interviews with ECLA staff on the sources of ideational change within ECLA, no one mentioned repression. A number of staff referred to the impact of the demise of socialism and to the desire of ECLA, as an intergovernmental organization, to maintain its relevance to member governments.
20. "Worst Year in Half a Century For Latin America's Economy," *UN Chronicle* 21 (March 1984): 16.
21. Interview with Raúl Prebisch, 23 October 1985, Buenos Aires. Translation by author.

22. Interview with Dr. Oscar Altimir, 2 November 1992, Santiago, Chile.

23. For example, in Argentina the average annual import quantum in 1940–1945 was 48 percent below the annual level in 1935–1939 and per capita quantum fell by a full 50 percent. The fall of imports in Brazil, while serious, was significantly less than in Argentina; depending on the source, the average annual import quantum in 1940–1945 was 12 percent to 20 percent below the level for 1935–1939 (Villela and Suzigan 1973: 441), and (ECLA 1951: 111, 211).

24. This relates to Judith Goldstein's argument that "nothing establishes the legitimacy of a policy like success. Policies become institutionalized because they work" (1989: 71).

25. In the preface to the English edition of *Dependency and Development in Latin America*, Cardoso and Faletto point to differences between ECLA thought and the more radically critical Latin American thought associated with dependency theory (1979: viii-ix).

26. Diaz Alejandro points out that Argentina, Brazil, Colombia, and Mexico register GDP growth rates steadier and higher than those of Canada and the United States for 1929–1939. In some Latin American countries, recovery from the Great Depression started as early as 1932, while in the 1980s, most countries did not start recovery until the early 1990s (Diaz Alejandro 1982).

27. "Chile: En el Umbral del Desarrollo?" *El Mercurio* 8 November 1992, B1.

28. Nathaniel C. Nash, "Chile Advances in a War on Poverty and One Million Mouths Say Amen," *New York Times* 4 April 1993, A6.

29. Interview with Isaac Cohen, Director, Washington Office, Economic Commission for Latin America and the Caribbean, 10 August 1992, Washington, D.C. The opinions expressed in the interview are personal and do not represent the position of the institution.

30. Fajnzylber's two-by-two table placed Argentina and Uruguay in the box of equity but low growth; Brazil, Colombia, Ecuador, Mexico, Panama, and the Dominican Republic in the box of growth with little equity; and the rest of Latin America in the box of low growth with little equity; no Latin American countries appeared in the growth with equity box, although Fajnzylber argued that countries like South Korea, Spain, Yugoslavia, Hungary, Israel, and Portugal fit in this box during the period under study (1970–1984). Growth was defined as more than 2.4 percent annual growth in per capita GNP during the period 1965–1984 (Fajnzylber 1990: 12–13).

31. Interview with Isaac Cohen, 10 August 1992, Washington, D.C.

32. Interview with Dr. Oscar Altimir, 2 November 1992, Santiago, Chile.

33. Interview with Isaac Cohen, 10 August 1992, Washington, D.C.

34. This is similar to the discussion of "administrative viability" by Peter Hall (1989: 373, 379), who argues that ideas were more likely to be accepted if "they accorded with the long-standing administrative biases of officials responsible for approving them and seemed feasible in light of the existing implementational capacities of the state." For example, where the central bank played a powerful role in the process of economic policy making, it was likely to inhibit the pursuit of Keynesian policies. Finnemore has made a similar organizational argument in her contribution to this volume. Once McNamara introduced a poverty focus to

the World Bank, organizational features of the Bank determined how that focus would be expressed in bank-lending policy.

35. In particular, Iglesias and Gonzalez began to place increasing emphasis on data collection and analysis as a central part of ECLA work. ECLA had always generated economic data, but in the mid-1970s, it started producing economic data in a more timely and systematic fashion. This data generation then served as a new source of legitimacy for ECLA. In addition, the staff in charge of data collection and analysis became the kernel of new thinking within the organization. Interview with Isaac Cohen, 10 August 1992, Washington, D.C.

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