

# Business Cycles as the Foundation of Latin American Structuralism

Nátalia De Lima Bracarense and A. Reeves Johnson

## Outline

Raúl Prebisch was a prominent Argentine economist and statesman who spent most of his life confronting the economic challenges of the underdeveloped world. As is common for many economists, and especially those with long careers, Prebisch's views continued to evolve over his lifetime. His training at the University of Buenos Aires (UBA) was essentially orthodox, but his penchant for independent study of extra-curricular texts lent his early work an eclectic bent. Like many economists in the 1930s and 1940s, Joseph Schumpeter, John Maynard Keynes and Keynes's disciples had his attention. Prebisch even flirted with the surplus approach of the classical political economists and Karl Marx in the late 1950s. But while Prebisch's theoretical views evolved, his methodological orientation remained relatively stable throughout his career, and can be detected from his earliest works. That general orientation eventually earned a proper title, classic structuralism (Jameson 1986), and it would prove critical to Prebisch's most well-known contribution to economics: the core- or center-periphery paradigm.

What is less well-known about the center-periphery paradigm though is that it was developed out of Prebisch's concern for business cycles, or at least that is the case we make in this paper. Numerous commentators have drawn attention to the ways in which classical structuralism undergirds Prebisch's examination of the relations between center and periphery (Jameson 1986, Palma 1987, Boianovsky 2015). But nearly twenty-five years prior to his famous "Manifesto," when both Prebisch and the century were in their early twenties, the former was adopting a generally structuralist orientation in his business cycle research to discern the cyclical effects on Argentina from Europe. In fact, Prebisch applies his structuralist orientation most consistently in the context of his work on business cycles. It is not a coincidence, therefore, that the first time Prebisch publishes the terms "core" and "periphery" in 1946 he refers to the United States as the "cyclical core" and Latin America as the "periphery of the economic system" (Love 2007, p. 8).

The present paper explores Prebisch's proto-structuralist approach in his early research on business cycles. One problem that must be dealt with at the outset concerns the meaning of "structuralism." Usage of the term is discourse specific, and even its intra-discourse meaning is prone to vary. That the term is conceptually unstable over time only magnifies the problem of clarifying what is intended by its designation. We therefore make explicit our usage of "structuralism," with the intention of aligning our usage with that of Prebisch and other Latin American Structuralists.

Now, cyclical fluctuations are a constant theme in Prebisch's work, but they were at the top of his research agenda in the early 1920s. As business cycle theory proper was still in its infancy at the time, we lay out some of the leading ideas Prebisch was previously exposed to and also ideas expressed in his works. Emphasis is placed on business cycle theories which Prebisch makes explicit reference to as well as those unreferenced works that Prebisch gained familiarity through his doctoral training and extracurricular readings. Of particular interest and, perhaps, surprise is the significance of Leon Walras' cursory remarks on the trade cycle to Prebisch's formulation of Argentine business cycles. The discussion of prevailing business cycle theory also serves to underscore the originality of this research, which further corroborates a commonly held view of Prebisch as a maverick economist: never shackled to existent doctrine; informed by prior work but ultimately leaving an original mark on the finished product.

With the essential contours of his early business cycle ideas drawn, we turn lastly to an analysis of the proto-structuralist orientation embedded in Prebisch's account. One implication of this theoretical-methodological connection in Prebisch's early empirical work is that the contributions for which Prebisch is most celebrated—core-periphery paradigm, deteriorating terms of trade, and import-substitution industrialization—can be traced back to his concern for business cycles. In that sense, the present paper adds to recent literature (Sember 2010, 2013; Vernengo and Perez 2011, 2012), by hollowing Prebisch's early methods out to shed light on the foundations of his later work.