

Brazilians heeded Carey's advice against British free trade

by Geraldo Lino

Since its independence from Portugal in 1822 up to the first decades of this century, Brazil was the stage for a factional struggle between a small and most precariously organized group of nationalists whose aim was developing their nation around the idea of industrialization, and a European-minded crowd of agricultural landlords, brokers, and speculators whose "national project" was based solely on exploiting what they regarded as the "natural vocation of the country," namely, agriculture. Most of the time the "agriculturalists" held the reins of political power, to the extent that they managed to infiltrate and control the first institution nominally dedicated to the promotion of industry—the National Society to Promote Industry, created in 1824.

The kernel of the debate was over import tariffs. Although the importance of protective tariffs for nascent national industry was perceived as fundamental, the agriculturalist-dominated Parliament prevented most of the attempts to set up such tariffs, which were labeled "artificial barriers" and "losses to customers." A remarkable exception was the administration of Finance Minister Alves Branco, whose 1844 tariff act was responsible for an important enhancement of industrial activity in the country.

The debate grew heated in the 1870s, when the industrialist faction was better organized and began to promote the ideas of the National System of Political Economy, as advocated by Friedrich List and Henry Carey. In particular, Carey's attacks on the British free trade system were highly influential among the leaders of the Industrial Association, which was created in 1881.

In 1889 Brazil became a republic, and this brought about the most complete economic program devised up until then to promote industrialization as a basis for national development. Conceived by Finance Minister Ruy Barbosa, the plan was explicitly based on U.S. Treasury Secretary Alexander Hamilton's ideas on public credit and banking. Although Ruy Barbosa's term in office was brief, his economic measures laid the foundation for the takeoff of Brazilian industry, which occurred in the first decades of the 20th century.

The following excerpts are from the writings of three individuals who are most representative of the protectionist school of thought in Brazil.

Ferro Costa

In 1878, a series of letters by U.S. economist Henry Carey to the London Times which attacked the concept of free trade, was republished in Rio de Janeiro, Brazil. An introduction to the Carey letters was written by Ferro Costa, one of Brazil's leading protectionist figures of the period. Excerpts follow:

A capital idea stands out from the writings of the eminent American economist, to wit: the established and fundamental principles of free trade are harmful to the development of civilization in new nations. Laissez-faire and laissez-passer are bitter fruits, which experience has already condemned. . . .

There is, therefore, no plausible reason why Brazil should remain stagnant, tied to the routine of Old World ideas which have been so logically fought by the splendid results of doctrines adopted by the United States of North America. . . .

The false situation in which we find ourselves, our failure to pay enough attention to national productive activity, has produced and will continue to produce serious and prolonged evils. The drought in Ceará would not have reached such vast proportions, would not have caused such enormous and today irreparable damage, if a part of its population had been employed in diverse industries, if the country had spread out manufacturing establishments throughout its interior. How many lives would have been saved! Those regions would not have been abandoned by their inhabitants, because their cultural level would have informed them long ago of the best way to confront the problem, or at least modify its intensity—mainly, they would have had the assistance of many railways, as should have already existed, to cover all distances and provide aid to all who needed it.

This, plus what has recently occurred in the British Indies—which is nothing but a confirmation of the history of all peoples—is a shrill warning to us that the nation which engages exclusively in agriculture is mortgaging its future to eternal poverty and dependency.

The case of coastal trading offers us clear evidence of the harmful effects of free trade. After the March 27, 1866 decree [granting foreign ships access to coastal trading] was promulgated, our merchant marine was reduced to the worst possible

condition, and with it we had to view as lost the school which supplied sailors for our warships. As can be seen in the statistics of Rio de Janeiro port—the Empire's most important—during the last four fiscal years, the proportion of the number of Brazilian ships and their respective crews remained stagnant; the number of foreign ships during this same period rose nearly 300%!

In a country like Brazil, with such a vast coastline and so many rivers, the development of a national merchant marine is undoubtedly of the greatest importance. Its delay is having devastating consequences, because it has everything to do with the most pressing social concerns. These include, apart from that already mentioned, great harm caused to the art of construction and to agriculture, which provides it with materials. The citizen is forced to limit his activities to other industries. . . .

What anguish will afflict our descendants, and what responsibility will fall upon ourselves, when the time comes that Brazil—in this soil blessed by providence—does not harvest a single bean, a single grain of corn or rice! And why should it, if the foreigner comes to our markets to offer these products at a price that makes it useless to cultivate them here?

A country that is fed by the hand of a foreigner, suffers in that which is most sacred, its sovereignty!

These reflections, suggested to us in reading Carey's letters, lead us to the unavoidable conclusion that national productive activity demands a radical reform according to the best economic principles, which could give Brazil autonomy among the civilized nations.

We ardently defend a doctrine; it is true, they could call us utopian, or whatever they want, but we would answer by pointing to history—both ancient and modern—and especially to what is happening today in various countries, such as France and Germany, where, following the most detailed investigation, it has become clear that the liberal regimen has caused the paralysis of trade and the depreciation of industry in those countries.

We do not nurture the hope of achieving the desired reforms at once, because this is a matter that requires deep thought; nonetheless, once these occur, we have no doubt of the triumph of protectionist principles, the only ones capable of developing the moral and material progress of a nation.

The welfare and civilization of the Brazilian Empire essentially depends upon the economic and social laws it adopts; may these facilitate and lead to the expansion of national productive activity, and to the provision of equal rights to the men who will run it as a new country. . . . The founding of manufacturing establishments and factories in every province, interconnected by electricity and by steam, is the surest guarantee of lasting internal peace and prosperity. Such a future lies in the hands of man: his will is his incentive, and those who follow it will inscribe their names in the golden book of their nation.

Antonio Felicio dos Santos

The following are excerpts from the founding manifesto of the Industrial Association of Brazil, signed, among others, by its first president, Antonio Felicio dos Santos. The association was founded in 1881:

The school of free trade in Brazil is not solely based upon imperfect study and the seductive appearance of the theory: there is another point of support, more dangerous because it is more highly placed. And that is vanity; it is (our) seduction through the treacherous applause of the opinion of the industrialized countries, interested in keeping us dependent, as tributary consumers of their factories.

As long as Brazil is not guided by a protective system, England will continue to exploit us as consumers.

After being strengthened for centuries by a nearly prohibitive regimen, and possessing a population educated in the school of highly protected and unchallenged industry, that nation is today a great advocate of free trade. That is why [in England] the United States of America is considered uncivilized for basing its wealth on a protectionist regimen, rejecting the old path of the metropolis and thereby drawing unto itself and assimilating a perennial immigration of workers and small capitalists.

In the shadow of the star-spangled banner, meanwhile, they have developed an industrial activity which already exceeds domestic consumption and is expanding in exports. And even though their products are already competing in every market with those of the more industrialized countries, the North Americans still do not consider harmful that protective system to which, more than to any of their completely free institutions, they owe the material progress of their nation. The brilliant prospect of American prosperity is offered us to imitate free of charge. [However,] Brazil is not losing sight of Europe's glitter, giving rise to the anti-American policy pursued here in all foreign relations, the economic system that ruined our merchant marine and paralyzed national industry, prolonging thus the colonial regime. . . .

It is urgent to raise our voices and call the attention of the government and of the people to these matters. This is one of the goals of our association. In the new countries, industry cannot grow without the encouragement of the state's highest authorities. All civilized governments began thus, favoring the development of industry. . . . The moralization of the poor classes is, more than anything, a question of policy. Production for consumption is at the very least a function of elementary economics. The example of preferring native products to foreign ones, when they are otherwise equal, is an act of patriotic common sense practiced invariably by every government. [Striking] a balance between national production and foreign imports falls primarily under a customs regimen. It is not extreme protectionism we seek; any practice based on invariable and absolute rules is absurd. . . .

Ruy Barbosa

The following is from the Report of the Finance Ministry (1891) written by Ruy Barbosa (1846-1923), finance secretary in the provisional government of Marshall Deodoro da Fonseca:

When Hamilton, first Treasury Secretary following independence, founded American finances, one of the foundations of his system was the creation of a National Bank, whose currency would be accepted throughout the territory of the United States.

But already that which we would today call extremist federalism . . . which demanded for the states a sovereignty parallel to that of the Union as a whole, viewed with distrust any institution intended to cement national unity.

The idea of a national bank could not fail to draw the ire of that dissolutionist tendency, antagonistic to any government, whose efforts were on the verge of subverting the American Union in the middle of this century. Once the law was approved in Congress, the greatest pressure was brought to bear to force Washington to oppose it with his veto. The President listened to his cabinet, where political sentiment was divided between Hamilton, author of the project, and Jefferson, leader of the movement opposed to the consolidation of the federal forces. But Hamilton prevailed.

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Estevan de Antuñano

'Promoting industry is a matter of honor'

In his 1985 book *Mexican Mercantilism vs. British Liberalism*, Peruvian historian Luis Vásquez Medina identifies Estevan de Antuñano (1792-1846) as one of the early proponents of mercantilism in Mexico, as well as a fervent admirer of the American System of economics. Antuñano also considered himself a follower of France's Colbert. Born in Veracruz, he was educated in Spain and returned to Mexico in 1820. By 1830, he had built a large business, producing textiles, porcelain, and iron.

In 1835, he revolutionized Mexican industry with the first modern textile factory, run with hydraulic energy—the first step in his ambitious project to transform the Atoyac River valley into "Mexico's industrial valley." He was adamantly opposed to the idea that Mexico's future lay in minerals export, which he viewed as a continuation of the colonial regime. Constantly battling those who said that Mexico could not industrialize, in 1845 Antuñano presented his own program for Mexico's industrialization which he called *Mexico's Political-Economic Plan*. Excerpts from that plan, as well as from other major writings, follow:

In the Dec. 24, 1842 edition of *El Cosmopolita*, Antuñano wrote:

"For our Republic, the promotion of industry is not merely a matter of convenience, but rather one of honor and of independence."

In September 1837, Antuñano wrote *Exposition on the Advantages for Mexican Industry and Wealth Resulting from the Exploitation of Iron and Building of Factories to Produce Machinery and Fine Tools to be used in the Arts and Agriculture*. It read in part:

"Exploitation of iron is so necessary for national wealth that it would be impossible for any nation to make great progress in its arts and agriculture if it did not dedicate itself to this important object of wealth; iron is the general and most economic material for producing all those instruments by which human understanding, through the senses, puts its useful ideas into practice.

"Exploitation of iron can lead to advances in the production of tools; this is the primary motive behind its exploitation: there can be no other purpose than to smelt, hammer, and transform that metal into useful form, to provide more leisure time for man, and more thrift and perfection in the products, as well as in rural operations. . . .