

In an article entitled “The Right to Smile,” published in *Jornal do Brasil* on April 12, Barbosa Lima Sobrinho promotes Alexander Hamilton as the answer to “globalization . . . a new name for an economic policy which has dominated the world since the 18th century, under the auspices of . . . Adam Smith, which made possible England’s power . . . to conquer its tributaries.” Then, Barbosa explained, globalization was known as “economic liberalism,” but met “resistance from a nation which had just won its independence, precisely against England—the United States of America, which had at its helm in the Treasury Department, a man of watchful intelligence, Alexander Hamilton. . . . This U.S. Treasury Secretary produced an excellent *Report*, which only now . . . has been translated into Portuguese, thanks to a Mexican journalist resident in Brazil, [*EIR* correspondent] Mrs. Silvia Palacios de Carrasco, who works for a similarly heretical organization of the United States, that of Mr. Lyndon LaRouche.”

The Brazilian patriot’s remarks recall his words in his introduction to the Portuguese edition of Hamilton’s *Report*: “Thanks to the efforts of the American economist Lyndon LaRouche, . . . today the world is again learning about Hamilton’s works. . . . LaRouche calls for applying the principles of the American System to the world economy, as a way out of the crisis in which it is submerged.”

Reviving Hamilton’s ‘American System’

by Lorenzo Carrasco Bazúa and
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The following was published as the appendix, entitled “The Influence of the American System of Political Economy in Brazil,” to the first Portuguese-language edition of Alexander Hamilton’s Report on the Subject of Manufactures.

From the time that Brazil became independent from Portugal in 1822, the teachings of the American System of political economy, as elaborated by Alexander Hamilton, Mathew and Henry Carey, Friedrich List, and others, were at the center of a battle between the two factions which fought for the right to direct the country’s future, through the fight for industrialization. On one side were the group of “nationalist industrialists,” which, although precariously organized much of the time, intended to use the expansion of manufacturing as the driver for national modernization. On the other side, were the caste of landlords, financiers, speculators, and commercial middlemen whose “life’s work” was limited to appropriating the surplus of capital available for investing in real estate or other activities which allowed them to live off their “profits.” This is an aspiration which, even today, is predominant among

the domestic oligarchies, which have only broadened their speculative activities in order to attain this goal.¹

For the first group, industrialization wasn’t understood as an end in itself, but rather as a fundamental element in the building of a modern, prosperous, and democratic nation. This, for example, was the idea of Rui Barbosa, the Republican regime’s first Finance Minister (1889-91). He wrote:

The development of industry is for the state, not simply an economic matter. In the old regime, with its exclusivity and privilege, the nation, with all its social activity, belonged to leading classes or families. . . . But it cannot be so in a republican system. The republic will only be consolidated among us, on a firm foundation, when its functions are grounded in the democracy of industrial labor, a crucial element to bring about the necessary balance.²

An analogous position was defended by Roberto Simonsen, one of the leading Brazilian industrialists in the first half of the 20th century:

To deny that the development and consolidation of Brazil’s industrial plant brings about an increase in wealth, prestige, power and education of our own people, is to deny the most basic principles of political and social economy. In every part of the world in which it is set up, large industry brings as a corollary the improvement of wages, the relative lowering of prices, social enrichment, and an increase in the capacity of consumption. As a further consequence, it intensifies trade relations, the means of transportation, and the victorious advance of civilization. Brazil’s industrial plant, therefore, can only bring about an increase in its wealth.³

The opposing faction defended the fallacious argument that Brazil was an “eminently agricultural” country, and that any attempts to establish industry among us would be “artificial” and contrary to the teachings of economic liberalism, predominant among Brazilian elites. The anti-industrial sentiment of this latter faction was so deeply rooted, that even the publications of the Auxiliary Society for National Industry (SAIN), founded in 1828 nominally to support industrialization, emphasized that industry had a predominantly “comple-

1. For an excellent treatment of the historical antiquity of the “parasitical” character of Brazil’s oligarchies, see João Fragoso e Manolo Florentino, *O arcaísmo como projeto: mercado atlântico, sociedade agrária e elite mercantil no Rio de Janeiro, c.1790-c1840* (Rio de Janeiro: Diadorim, Ed., 1993).

2. Rui Barbosa, “Relatório do ministro da Fazenda,” in the *Complete Works of Rui Barbosa* Vol. XVIII, No. III (Rio de Janeiro: Ministry of Health and Education, 1949), p. 143.

3. Roberto C. Simonsen, *Evolução industrial do Brasil e outros estudos*. Selections, notes, and bibliography by Edgard Carone. (São Paulo: Cia. Editora Nacional/Ed. da Universidade de São Paulo, 1973), p. 57-58.

mentary” character relative to agriculture, at that time considered the country’s “natural vocation.”⁴

Nonetheless, beginning in the middle of the 19th century, we can identify the slow, but persistent, emergence of a proto-industrial current, clearly influenced by the United States of America’s success, particularly the application of the principles of the American System of political economy. Following in the footsteps of the United States, the members of this current emphasized that countries which sought full development, had both the right and the necessity of aiding their nascent industries through protective tariffs—an issue that was always at the center of the industrialization debate.

Alves Branco and variable tariffs

The first attempt to provide institutional support for industrialization came from Manuel Alves Branco, who served as Finance Minister four times between 1839 and 1848. In 1844, Alves Branco abolished the 15% universal tariff, in effect since 1828, and established variable tariffs of 30-60% for the majority of imported goods. The measure had four primary goals: 1) stimulate the creation of new industries; 2) force England to modify a recent high tariff on imported Brazilian sugar, at that time the product on which the economy depended; 3) create new markets for labor; and 4) increase the country’s revenues. The concern with industrialization was key, as the minister himself explains in his 1844 “Report”:

A nation cannot pin all its hopes on agriculture or production of raw materials for foreign markets. A people without manufactures must always depend on others. Any country’s domestic industry is the first and most secure and abundant market for its agriculture; and any country’s domestic agriculture is the first, most secure and abundant market for its industry. Foreign markets must be seen as secondary for each, and never as primary. This is what experience teaches us. . . . For this . . . the government must always be empowered to protect national or foreign capital which seeks to be used for manufacturing in the country.⁵

Note the clear similarity with Alexander Hamilton’s ideas in his 1791 *Report on Manufactures*.

Although the protective tariffs established by Alves Branco didn’t survive for long after his last term in office, primarily because of British pressures, the debate on protectionism surfaced again in the mid-1870s. This coincided with the economic crisis unleashed precisely by the application of liberal policies, promoted by England and enthusiastically backed by the retrograde oligarchy which then dominated

4. Edgard Carone, *O Centro Industrial do Rio de Janeiro e a sua importante participação na economia nacional (1827-1977)* (Rio de Janeiro: Centro Industrial do Rio de Janeiro/Ed. Cátedra, 1978), p. 53.

5. Quoted in: Nícia Villela Luz, *A luta pela industrialização do Brasil* (São Paulo: Ed., Difusão Européia do Livro, 1960), p. 44.

Congress. Inside SAIN, where the growing industrialist faction pointed to the United States as the model to follow, particularly as regarding protection of industry, the voice of Antônio de Paula Freitas was heard: “If Brazil is not yet an industrial nation, it is vital that it become one,” he insisted.⁶

In 1877, after a heated internal debate on protectionism, the SAIN requested that the government adopt a real industrial policy, which included protective tariffs for several basic industries, tax exemptions on the export of industrial products, and preference for domestic industry in the acquisition of products by the different sectors of public administration.

At the height of this ferment, the following year Brazilian industrialists forced the publication of Henry Carey’s “Letters in Response to the London *Times*,” the *Times* being the stronghold of liberalism (i.e., free trade) in the British press. Aside from demolishing the arguments of the liberal system, Carey emphatically defended the protectionist system for developing nations. It is symptomatic that this is the only one of Carey’s writings to be published in Brazil. The “Introduction” to these letters was written by Ferro Cardoso, whose words are indicative of the spirit which inspired the Brazilian industrialists of the time:

A brilliant idea jumps out from the writings of this eminent American economist, to wit: the established principles and fundamentals of free trade are harmful to the development of new nations’ civilizations. *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 ideas of the Old World, so logically fought by the splendid results of the doctrines adopted by the United States.

The false situation in which we find ourselves, and our negligence, in that we have paid scant attention to our national situation, have produced, and will continue to produce, grave and prolonged ills. The drought in Ceará would not have reached such gigantic proportions, nor would it have caused such enormous and today irremedial damage, had part of its population been employed in different industries, and had manufacturing establishments been set up throughout the country’s interior.

A country fed by the hand of foreigners suffers in what should be held most sacred—its sovereignty!

We ardently defend a doctrine, it’s true. Call us utopians or whatever you wish, but we answer pointing to history, both ancient and modern and, primarily, to what is currently happening in many countries; in France, and Germany where, as careful research makes totally clear, the liberal regime has caused the paralysis of trade and the decline of those countries’ industries.

6. Quoted in Nícia Villela Luz, op. cit., p. 47.

We don't doubt that there will be the most complete triumph for protectionist principles, the only ones capable of developing a nation's moral and material progress. . . . The well-being and civilization of the Brazilian Empire essentially depend on the economic and social laws which have been adopted; let all cooperate to facilitate and expand national labor, and give equality to the rights of men who seek them as in a new country. . . .

The creation of manufacturing establishments in all the provinces, connected by electricity and the steamboat, constitutes the most secure guarantee of a permanent domestic peace and of our posterity.⁷

In 1881, the emergence of the Industrial Association was the parting of the waters in the institutionalization of the fight for national industrialization. Its founder and key leader was Antônio Felício dos Santos, who became the major defender of industry in the Congress, to which he was elected that same year. The guidelines of the Industrial Association's activities were based on the "brilliant picture of American prosperity," that is, the American System, whose influence permeates the entirety of the organization's Manifesto:

From time to time, an unfortunate act by the state's highest authorities to quickly obtain some crumbs for the Treasury, may wound, perhaps mortally, this or that prosperous industry. The victims' cries rarely break the silence of public indifference, and the minister who brought about the clever financial coup, should he condescend at all to listen to complaints, which is unusual, responds with a banal epigram extracted from the metaphysical codes of wily free trade. And that's all. Opinion dares not contradict the oracle: it remains for the wounded industrialist only to withdraw, almost ashamed, as if he were a criminal whose means of hurting the community has been intercepted by the all-seeing police. The solution is normally seen as beneficial: cured of his industrial mania, the citizen seeks another profession more consistent with the country's social harmony, employed for example, in a foreign import company, and from then on, focussing his energies to protecting the 6% return on the sacred government bonds.

In vain is the brilliant picture of American prosperity offered to us for imitation. Brazil doesn't lose sight of the European audience. From there springs the anti-American policy found here in all our foreign relations: the economic system which ruined our merchant marine and paralyzes national industry, prolonging the colonial regime whose supposed interruption in 1822 never really occurred.

Heavy is the burden which our association carries on its shoulders. We need only consider some of its dimensions: the joining of contrary interests encouraged by the current regime, the pretentious vanity of some statesmen, the sincere convictions of others trained in the school of Bastiat's specious sophists, the impertinence of those who collaborate on this fallacy of a hollow and resonant liberalism, and sacrifice the instinct for national preservation. . . . These and other obstacles have been placed before us.

And those who call themselves free traders are shown to really be protectionist . . . of foreigners.⁸

Today, more than a century later, these vibrant words, not surprisingly, and sadly, ring true, because the fundamental causes driving them still exist.

On the other hand, in the statements of these pioneers, the "trademark" of the American System is patently clear; and this becomes even more clear with the advent of the Republic in 1889, and the naming of Rui Barbosa as Finance Minister.

A revolution in Brazil's economy

Taking up the reins of national finance in the midst of a wave of stock market speculation, known as "*Encilhamento*" ("saddling the horse"), which sounded the death knell of the monarchical regime—and for which, even today, his detractors blame him—Rui promoted a true revolution in the Brazilian economy through measures aimed at its broad modernization. A fervent proponent of industrialization, his policies were profoundly inspired by "the genius of Hamilton, [who had] the greatest ability for organization among the builders of the Anglo-American republic," as he explained in his 1891 "Report from the Finance Minister."⁹

Acting with courage and boldness, Rui conceived of and implemented a package of measures intended to stimulate private projects, primarily industries, whose proliferation he saw as a means of reducing the nefarious influence of the decrepit oligarchies responsible for obstructing the country's development. Toward that end, he decreed a banking reform and divided the country into three banking regions, for purposes of monetary issuance, backed by public debt. Beyond this, he issued new regulations for the organization of companies, regulated credit for productive activities, created institutions to attract popular savings, and reformed mortgage legislation. All these measures were aimed at creating a new credit and financial structure in the country, as an alternative to the domination exercised at that time by the usurious oligarchies, and their local and foreign associates.

Complementing the banking reform, Rui ordered customs taxes to be collected in gold, as a way of discouraging imports and encouraging internal production, especially in manufac-

7. H.C. Carey, *Economic Studies. Letters in Response to the London Times* (Rio de Janeiro: Portuguese edition published by Leuzinger & Filhos, 1878), pp. III-XV.

8. Quoted in Edgard Carone, *O pensamento industrial no Brasil (1880-1945)* (São Paulo: Difel, 1977), pp. 19-27.

9. Rui Barbosa, op. cit., p. 349.

turing. At the same time, he reduced or eliminated import tariffs for raw materials and capital goods for industry. He also reformed the tax system, creating an income tax, and taxed fallow or unused land, in addition to luxury items such as alcohol and tobacco.

As occurred in the United States with Hamilton's policies, Rui Barbosa's policies were vigorously opposed by the domestic and foreign oligarchies then dominating Brazil's economy. The oligarchy forced him to leave the Finance Ministry in January 1891, only 13 months after he took the post, and ran a campaign to slander and discredit him. Even today, the echo of that campaign can be heard, whenever any public figure attempts to follow in his footsteps, on behalf of our true national interests.¹⁰ After Rui Barbosa left office, most of his reforms were abandoned, and the office was subsequently occupied by a succession of economists committed to oligarchical interests, which characterized most of the Old Republic, as the period from 1889 to the Getulio Vargas revolution of 1930 is called.

Among this latter group, it's worth mentioning Joaquim Murinho who, despite serving as Minister of Industry, Transportation, and Public Works during the interim Presidency of Manuel Vitorino (1896-97), was a rabid opponent of industrialization. It was this anti-industry sentiment which guided his policies as Finance Minister during the Campos Salles government (1898-1902). Murinho used openly racist arguments, indicating at the same time that he understood the source which inspired Brazilian industrialists.

In his introduction to his Finance Minister's report in 1897, he wrote:

Industry is not a goal which should be pursued at any price, but is rather a means of making human existence easier, more comfortable and happier. . . . Let us patiently and courageously limit the expansion of manufacturing to the small size of our economic resources, and restrict governmental action to what it can most usefully offer to the benefit of our country's industrial development: Order through Freedom, maintaining peace at all cost and eliminating all those regulations which obstruct individual activity. . . . *We cannot, as many wish, take the United States of America as a model for our industrial development, as we do not possess the superior aptitude of its people, the driving force in that great country's industrial progress. . . . Then, let the following be the formula for our industrial policy: produce cheaply that which we can only import at a*

10. During a seminar organized by the Rio de Janeiro daily *Jornal do Comercio*, at the beginning of the Collor de Mello government in 1990, Congressman Roberto Campos and lawyer Ives Gandra da Silva Martins, two notorious propagandists for neo-liberalism, spent some time discussing whether Rui Barbosa or Dilsón Funaro (1987) had been the worst Finance Minister in Brazil's history. For those who know how these two countered oligarchical interests, the debate is symptomatic.

higher price, and import cheaply that which we can only produce at great expense [emphasis added].¹¹

Shaping opinion

Despite these obstacles, at the beginning of the 20th century, the consolidation of Brazilian industry was an irreversible fact. An essential contributing factor in this development was the tireless activity of national industrialists in "shaping opinion." This activity was primarily centered in three organizations: the Brazilian Industrial Center (CIB), the Engineering Club, and the Rio de Janeiro Polytechnical School.

The Brazilian Industrial Center (today the Federation of Industries of the State of Rio de Janeiro, or Firjan) was founded in 1904, as a result of the merger of the Auxiliary Society for National Industry and the Industrial Spinning and Weaving Center. Among its board of directors were some of the most ardent Brazilian defenders of the American System of economics, including Inocêncio Serzedelo Correia, Luiz

11. Joaquim Murinho, *Introdução ao Relatório do Ministro da Indústria, Viação e Obras Públicas (Economic thinking of Joaquim Murinho)* (Brasília-Rio de Janeiro: Org. by Nícia Villela Luz, Federal Senate/Fundação Casa de Rui Barbosa-MEC, 1980), p. 143-174.

Dr. Carneiro: Brazil must adopt LaRouche's proposals

The following are excerpts of an interview with Dr. Enéas Carneiro, Presidential candidate of Brazil's Party for the Rebuilding of the National Order (Prona), published in the daily Folha de São Paulo on April 20. In it, he makes several references to Lyndon LaRouche, whom Folha describes as the "leader of the extreme right wing in the U.S." In Brazil's last Presidential elections, Dr. Carneiro won 5 million votes (about 5%) and came in third, after Fernando Henrique Cardoso and Luís Inácio "Lula" da Silva, and is again a serious contender for the Presidency in the October 1998 elections. On March 19, Carneiro held up EIR for an estimated 40 million viewers during a nation-wide TV program, to document charges that George Soros was buying up Brazil with drug money.

Folha: What do you criticize in the Brazilian system?

Enéas Carneiro: It's not one, but a whole range of things. It's the indiscriminate opening of our economy to foreign industrial products: This has destroyed Brazil's industrial plant. Similarly, the indiscriminate opening to [foreign] agricultural products is one of the major factors

Rafael Vieira Souto, and Jorge Street.

No discussion of the influence of the American System in Brazil can exclude mention of Serzedelo Correia, an engineer and Army officer (he attained the rank of general), and one of the country's most outstanding defenders of protection for industry, as seen in the following passage from his 1903 book, *Brazil's Economic Problem*:

Countries which have no economic independence can never become the type of great nation which List, the founder of the *Zollverein*, discussed. He tells us that aside from language and literature, a well-organized and independent nation should also have extensive territory, a developed population, agriculture, manufacturing industry, and harmonically developed trade and shipping; as for arts and sciences, the general means of culture and education will raise the material level of the population.

It is because we have neglected the defense of our interests, and because as a new country, we have adopted and practiced the policy of *laissez-faire* in industry, in national trade, in sea transport and in the merchant marine, that we find ourselves in such straits. . . .

The state is de facto a robust and energetic economic force. This force is important, it grows and multiplies, and is itself indispensable for new nations, in which individual initiative is weak. . . . It is through import tariffs that countries defend and protect their production and national labor.¹²

Luiz Rafael Vieira Souto, an engineer and colleague of Serzedelo Correia at the CIB, was equally prominent as a professor in the political economy department at the Rio de Janeiro Polytechnical School (today the Engineering School of the Federal University of Rio de Janeiro), a post he occupied for 34 years, as well as in the debates at the Engineering Club in favor of industrialization. Vieira Souto was a vigorous opponent of the recession-causing policies of Finance Minister Joaquim Murinho, and his writings reflected the influence of List and Henry Carey, especially as regards Carey's discussion of the harmony of interests between capital and labor. Exemplary is this passage from his introduction to the first *Bulletin of the Brazilian Industrial Center*:

12. Serzedelo Correia, *O problema econômico no Brasil* (Brasília-Rio de Janeiro: Federal Senate/Casa de Rui Barbosa, 1980), p. 19.

in the destruction of small and medium-sized farms. Thirdly, the value of [Brazil's currency] the real, artificially fixed to ensure that inflation stays at low levels. And then there are the interest rates which have, from time to time, become the highest on the planet. . . .

Folha: I should deduce then that you are—

Enéas Carneiro: Exactly the opposite of everyone else out there. . . . I want to make this clear, there is only one way out: breaking with the international financial system. When I say international financial system, I'm talking about several entities combined. These include the International Monetary Fund, the World Bank, World Trade Organization, etc. I don't believe there is any other way. And, to make this plausible for you, there is an interesting interview here, [in] *Executive Intelligence Review*, with Mr. Lyndon LaRouche, in which he speaks of the need to move toward a New Bretton Woods accord. Thus, what Prof. Lyndon LaRouche is proposing is a new world model, one in which there would not be a totally artificial market with \$3 trillion in circulation every day.

Folha: Would you reverse privatizations?

Enéas Carneiro: Without a doubt. For example, there is an extraordinarily serious study by Sen. Amir Lando, done during the period of privatizations, long before Vale do Rio Doce was handed over. . . . (They say sold, but it was given away.) That study shows that there were questions which, at the very least, could be considered unconstitutional, as related to the sale of state compa-

nies. When you ask, I answer that when I become [President] I shall reverse all [state company privatizations]. All, all, all. Without exception. How will we pay? With the same paper with which they were handed over. . . . There's no question that I have the law on my side.

Folha: Why do you exclude the PSDB [Brazilian Social Democratic Party] or PT [Workers Party] as your allies, and say they represent positions diametrically opposed to yours?

Enéas Carneiro: Because they are the two political structures most linked to everything I abhor. Let's take the case of the Inter-American Dialogue. It was founded in 1982. President Fernando Henrique Cardoso is one of its founders. Several considerations subsequently put into practice emerge from the Inter-American Dialogue. Up front, for example, is that the Washington consensus has defined the guidelines of what today is called globalization. The PT's top leader, Mr. Luís Inácio joined the Dialogue in 1992. So, from the standpoint of the most important issues, the PSDB and the PT are one—two sides of the same coin.

Folha: Would you put a stop to globalization in Brazil?

Enéas Carneiro: I am a nationalist, a man concerned about my nation. The nation is headed for the abyss. Mr. LaRouche says that we are nearing a period for humanity similar to that of the Black Death, to the Dark Ages. We can no longer talk about left and right in today's world. . . .

Anyone who studies what is now occurring in the civilized world, on the old as well as the new continent, perceives the recent evolution of international political economy, characterized by the increasingly complete abandonment of free trade, and the ever more passionate enthusiasm for protection of national industry. The dawn of the 20th century is witnessing the death pangs of the free trade system, even though it was dominant only 50 years ago. How is it that free trade came to dominate the trade of almost the entire world for so many years? No one can ignore the fact that England imposed it in 1846, after having enriched and strengthened itself for centuries through the most exaggerated protectionism and even prohibition. At that time, England's propaganda expanded and penetrated everywhere. "Protectionism," wrote Haskinson in 1840, "was for a long time the secret to England's greatness, but now the advantage of its exploration has died. . . . There is only one solution—abandon the protectionist system, since the effect of that will be to channel this to other nations, which will no longer have our example to follow." . . .

From that time onward, England's interested propaganda expanded and penetrated everywhere. Only two nations, Russia and the United States, always tenaciously resisted it; but the rest let themselves be seduced by the siren's song, only to quickly regret doing so. . . .

The tariff question is at the epicenter of a defense of industry. . . . The development of protected industry and cooperation among producers which always develops in the [country's] interior, never fail to lower the cost of production, and force prices lower for nationally produced goods in the market, even below those for foreign merchandise. . . . As for wages, we, the protectionists, reply to the objection: it was never our desire to lead Brazil into a cheap labor regime; on the contrary, we want high, very high salaries. . . .¹³

It was this environment, brimming with the ideas of the American System, that forged what could be considered the "second generation" of industrialists, whose leading spokesman was Roberto Simonsen. Among some analysts, Simonsen is considered the most combative and articulate defender of industry in all of Brazilian history.

A businessman and engineer, Simonsen had his first broad contact with Brazilian reality at the beginning of the 1920s, when he became involved in the building of Army barracks and hospitals in 36 cities across nine Brazilian states. According to one analyst of Brazil's economic history, it was this undertaking, during a period of scant communications and transportation infrastructure, which confronted Simonsen with the "painful spectacle of our poverty and the need for

industrialization as a way of combatting it." This is what shaped the framework for his future activity: "making the nation great through industrial development."¹⁴

Simonsen defined this task as follows:

If it is true that the basis of Brazil's economic structure should rest on the culture of the land, it is no less true that at the current stage of civilization the economic independence of a great nation, its prestige and political activity in the conceit of nations, can only be given due consideration when that country possesses an efficient industrial infrastructure on the same level as its agricultural development. . . . Thus, those Brazilians who oppose the establishment and expansion of industries in the country, consciously or unconsciously do the work of foreign nations, [which are] interested in the conquest of our markets, and work to push us back to the status of a colony of those foreign producers.¹⁵

A defender of protectionism and state intervention in the economy, Simonsen explained his position as follows:

As for the tiresome debate between protectionism and free trade—there is a desire to impose the latter on our country—I cannot find words strong enough to lament this. The adoption of doctrines copied or imported from foreign lands, not applicable to Brazil's conditions, can only lead to an worsening of our depressed economy. At the current stage of civilization and international policy, the idea of nationhood without protectionism is inconceivable. . . .

I have never been an interventionist in order to oppose natural laws, but rather exclusively for the purpose of creating situations in which Brazil could take advantage of the results of that law. Due to the natural action of well-known factors, broad freedom in trade results in the predominance of the strongest.¹⁶

Simonsen's concept of industrialization was global in nature. For example, he seriously studied the problem of how to train qualified labor (he founded the National Industrial Apprenticeship Service, or SENAI), the adoption of patented technical standards, and technological development.

Another example of his advanced ideas was his thinking on small and medium-sized businesses:

Our industrialization policies should therefore be oriented toward the multiplication of medium and small-sized industry, thereby stimulating the process of rationalization and cooperation among many factories, so

13. Quoted in Edgard Carone, op. cit., pp. 47-57.

14. Heitor Ferreira Lima, *História do Pensamento Econômico no Brasil* (São Paulo: Cia., Ed., Nacional, 1978), p. 160.

15. Roberto C. Simonsen, op. cit., p. 55

16. Quoted in Heitor Ferreira Lima, op. cit., p. 161-162.

that, to the degree possible, some may become complementary to others. . . . The type of large industry served by super-machines, will be reserved for basic industries, and there . . . a greater control by the state would be justified, to avoid the concentration of excessive economic power in the hands of a few.¹⁷

Labor policy

Like Carey and his Brazilian followers, Simonsen had a clear vision of the social function of the economy, and therefore defended the notion that raising wages was a subject of the greatest interest to private enterprise. Concerned about social assistance to industrial workers, he created the Industrial Social Service. Like the authors of the American System, he proposed economic planning in order to harmonize all the interests at play within the economy. The influence of Henry Carey's concept of the harmony of interests is evident in the following excerpt from the 1919 report by the Companhia Constructora de Santos, founded by Simonsen in 1912:

The industrialists of today have to abandon the old molds, and consider as a new, truly existent force, the discontent of the worker; and courageously provide him with a just wage, unless they wish to witness the obstruction of production through the mistaken attempt to address this issue by political means, when it could be resolved effectively by economic means. . . . Hence the viability of a solution [based on] the harmony of interests of both classes, through scientific investigation of the real working conditions, and by the intelligent application of the economic laws which govern production.¹⁸

Even today, a majority of Brazilian businessmen and public figures haven't learned these valuable lessons.

As occurred with his predecessors, the progressive ideas of Simonsen were attacked by the representatives of the archaic oligarchies interested in preventing Brazilian development. This was the case of the much praised Eugênio Gudín, who fought the country's industrialization with the same racist arguments used by Joaquim Murтинho.¹⁹

The intellectual ferment provided by the principles of the American System was one of the factors which contributed to the emergence of a new generation of public officials, beginning in the 1920s and 1930s. These were more conscious of the country's potential, and of the state's responsibilities in creating the basis for economic development. Exemplified

by individuals such as Jesus Soares Pereira and Rômulo de Almeida, the members of this generation would perform a crucial role in the two governments of Getúlio Vargas (1930-45; 1950-54), and of Juscelino Kubitschek (1956-61). Several vital institutions created at this time contributed to the surge of development which the country subsequently experienced.

The teachings of the American System simultaneously penetrated the Armed Forces, specifically the Army, where the ideas of the Prussian General Staff on the need for a national mobilization based on infrastructure development, inspired by List, were introduced by the French Military Mission which operated in Brazil during 1920-40.

The role of the state

Today, however, just as little is spoken of Hamilton, Carey, and List in the world's major universities and economic institutes, including in the United States, similarly there are few Brazilians who are knowledgeable about the doctrines which inspired Brazil's economic nationalism. One of the exceptions to this is the eminent journalist Barbosa Lima Sobrinho, president of the Brazilian Press Association and author of this book's introduction.

At this crucial moment in Brazilian history, in which we shall be determining the conditions in which the nation will enter the third millennium, the archaic policies of *laissez-faire*, earlier promoted by foreign oligarchies and their local counterparts, have surfaced with a "modern" face. At the same time, there are attempts to "immunize" the country against the penetration of the ideas of the American System of political economy, and thus prevent its full development. This "modernism," which we can honestly characterize as "archaic modernism," proposes as a miraculous solution, that the state virtually renounce its sovereign ability to direct the economy and issue credit, one of the fundamental tenets of the American System. In this suppression of governmental control of credit lies one of the deepest causes of the current economic crisis — not only in Brazil but in all the Ibero-American republics.

In effect, the issue of how credit is generated and who controls it is at the center of the battle between the liberal system and the system of national economy. This confrontation involves antagonistic notions of the concepts of wealth and value. For liberals in general, wealth is a fixed quantity of resources, to be appropriated by the "most competitive" elements of society, while for the advocates of national economy, this stems from society's potential for the production of wealth, to which all of its members have the same inalienable rights, which must be secured and protected by the sovereign nation-state. As List said, it is not wealth which is primary, but the ability to generate it.

The adoption of the proposals of the American System of political economy will constitute a true revolution, in the face of the policies imposed today by most countries. But many times, it is only through revolution that it is possible to prevent the destruction of nations and reestablish the capacity for development and confidence in their leaders.

17. Quoted in Heitor Ferreira Lima, op. cit., p. 164.

18. Quoted in Heitor Ferreira Lima, *3 industrialistas brasileiros: Mauá-Rui Barbosa-Roberto Simonsen* (São Paulo: Alfa-Omega, Ed., 1976), p. 158-159.

19. Gen. Edmundo de Macedo Soares, one of the main promoters of Brazil's steel industry, reported having personally heard the following argument from Eugênio Gudín: "Brazil shouldn't possess heavy industry, but only light ones such as textiles. Steel is for nations of white people."