

RESEARCH IN THE HISTORY OF  
ECONOMIC THOUGHT  
AND METHODOLOGY

# RESEARCH IN THE HISTORY OF ECONOMIC THOUGHT AND METHODOLOGY

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RESEARCH IN THE HISTORY OF ECONOMIC THOUGHT  
AND METHODOLOGY VOLUME 39A

**RESEARCH IN THE HISTORY  
OF ECONOMIC THOUGHT AND  
METHODOLOGY: INCLUDING A  
SELECTION OF PAPERS PRESENTED  
AT THE 2019 ALAHPE CONFERENCE**

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INVESTOR IN PEOPLE

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*Edited by Felipe Almeida and Carlos Eduardo Suprinyak*

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# VOLUME INTRODUCTION

The first volume of 2021, Volume 39A of *Research in the History of Economic Thought and Methodology*, features a selection of essays presented at the 2019 Conference of the Latin American Society for the History of Economic Thought (ALAHPE), edited by Felipe Almeida and our own Carlos Eduardo Suprinyak. Mauro Boianovsky, Matari Pierre Manigat, Patrick Fontaine, Hugo Chu, Lucas Casonato and Eduardo Angeli, and Melisa J. Luc contribute to the selection of papers.

Volume 39A also includes a new paper by Daniel Kuehn that investigates Warren Nutter's role in the Nixon administration with regard to policy on Chile and Salvador Allende. The volume also features a new archival piece from Katia Caldari and our own Luca Fiorito, and a book review by John Hall of Kevin Deane and Elisa Van Waeyenberge's *Recharting the History of Economic Thought*.

The Editors of *Research in the History of Economic Thought and Methodology*

Luca Fiorito  
Scott Scheall  
Carlos Eduardo Suprinyak

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**Luca Fiorito** received his PhD in economics from the New School for Social Research in New York and is currently Professor at the University of Palermo. His main area of interest is the history of American economic thought in the Progressive Era and the interwar years. He has published many works on the contributions of the institutionalists and on the relationship between economics and eugenics.

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**Carlos Eduardo Suprinyak** is Associate Professor of Economics at the Federal University of Minas Gerais (UFMG), Brazil. He specializes in the history and methodology of economics, studying the interplay of social, political, and economic ideas in early modern England, and the institutionalization of economics in Brazil during the postwar era. He has published several papers on these and related themes in peer-reviewed scholarly journals, and is also the co-editor of *The Political Economy of Latin American Independence* (Routledge, 2017).

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# PART I

## A SELECTION OF PAPERS PRESENTED AT THE 2019 ALAHPE CONFERENCE

Edited by Felipe Almeida and Carlos Eduardo  
Suprinyak

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# CHAPTER 1

## INTRODUCTION

Carlos Eduardo Suprinyak and Felipe Almeida

On November 26, 2015, a group of scholars assembled in Santiago, Chile for the 5th ESHET Latin American Conference decided to create the Latin American Society for the History of Economic Thought (ALAHPE). The document of intentions signed on that day committed the new society to promote: (1) the teaching, research, and diffusion of the history of economics in Latin America, with due attention to the different linguistic and cultural traditions in the region; (2) cooperation with other national and international associations similarly dedicated to the history of economics; and (3) communications and exchange among scholars interested in the field, through conferences, seminars, and summer schools. The document was signed by 37 participants who were present in Santiago and received the support of a further 65 people who manifested themselves in favor of the creation of ALAHPE prior to the Santiago meeting. The signatories to the founding charter came from 10 different Latin American countries, joined by others from Europe and North America.

The meeting at Santiago, however, was only the final step of a process begun much earlier. Since 2011, the European Society for the History of Economic Thought (ESHET) had been promoting annual special conferences in Latin America, to further interaction and exchanges between scholars based in Europe and Latin America who shared an interest in the field. The first of these conferences took place in Mexico, followed by events in Argentina (2012), Colombia (2013), and Brazil (2014). During the Brazilian conference, hosted in Belo Horizonte, a first discussion took place on the prospect of anchoring these recurring events into the structure of a regional academic society. There was a widespread sense of gratefulness for the crucial role played by ESHET in stirring interest and connecting people who had so far been working in relative isolation across the region. The time had come, however, to seize momentum and take the initiative into our own hands, creating an institutional structure that could cater to the specific needs and interests of Latin American scholars dedicated to the history of economics.

After this move was formally ratified in Santiago one year later, ALAHPE picked up where ESHET left. Earlier in 2015, scholars associated with the new society had already organized the 1st History of Economics Summer School in Latin America (HESSLA), in Bogotá, Colombia. The summer school and the conference, both now converted into biennial events, thus became the backbone of ALAHPE's fledgling initiatives – spaces where scholars who gravitate around the society can meet and exchange ideas at regular intervals. The 2nd HESSLA took place in Ouro Preto, Brazil, in 2017, followed by a third edition in Mexico City two years later. In late 2017, the 6th Latin American Conference on the History of Economic Thought – the first autonomously organized by ALAHPE – was hosted by Universidad de Los Andes, in Bogotá, Colombia. The conference was a great success, gathering close to 100 participants from across Latin America and from outside the region as well. It also plainly established one of the trademarks of ALAHPE events: the large contingent of young scholars engaged in research on the history of economics.

On November 20–22, 2019, the Federal University of Paraná (UFPR) hosted the 7th ALAHPE Conference in Curitiba, Brazil. The meeting gathered 139 scholars from across Latin America, Europe, and North America, who presented their works through the course of 45 ordinary sessions. Confirming the trend identified in Bogotá two years earlier, approximately 40% of the participants were students interested in the field. The meeting also hosted two roundtables dedicated to discussing the role of the history of economics in Latin America, both in teaching and research. The Subercaseaux Lecture, ALAHPE's distinguished keynote address, was delivered by Prof. Jeremy Adelman, from Princeton University, on the subject of "Hirschman in Latin America." The conference also featured two other excellent keynote lectures: Prof Mauro Boianovsky, from the University of Brasília, spoke on "Samuelson on Populist Democracy, Capitalist Fascism and the Vicissitudes of South American Economic Development (1948–1997)," while Prof Marianne Johnson, from the University of Wisconsin at Oshkosh, explored the topic of "Institutionalism on Economic Planning and Economic Experts."

This symposium presents a selection of papers presented during the 7th ALAHPE Conference in Curitiba, thus establishing what we hope will be a long and fruitful academic partnership between ALAHPE and *Research in the History of Economic Thought and Methodology*. The papers here collected offer an accurate sample of ALAHPE activities on at least two ways. The first relates to the young demographics attracted by the society. Four of the six papers were authored (or co-authored) by scholars who are still in the early stages of their academic paths, either studying for a PhD or taking the first steps in their postdoctoral careers. This focus on the research outcomes produced by a new generation of scholars happily dovetails with RHETM's longstanding commitment to offer a fostering and encouraging outlet for the work of young researchers dedicated to the history of economics.

The symposium also showcases the diversity of topics typically explored by Latin American scholars working in the field. Rather than selecting only contributions on subjects traditionally understood as pertaining to the history of Latin American economic thought, we have chosen to illustrate how Latin American

interests and perspectives can merge with subjects that transcend regional concerns. Mauro Boianovsky's contribution – based on his keynote address prepared for the Curitiba conference – offers a perfect example. Mauro uses the editorial history of Paul Samuelson's seminal textbook *Economics*, together with several of his other writings and hitherto unexplored archival material, to explore, on one hand, how Samuelson used the fractious Latin American political environment during the 1970s to illustrate some of his arguments on the interplay between economics and politics, and on the other, how this affected the adoption and dissemination of his textbook in Latin American countries governed by authoritarian regimes at the time. Two other papers also dwell on topics bearing directly on the history of Latin American economics. Patrick Fontaine recovers the early writings of Raúl Prebisch to argue that his understanding of the relationship between inflation and underdevelopment already anticipated, in important respects, elements of the later structuralist theory of inflation. Taking a step back to reflect on longer term trends, Melisa Luc revisits Oreste Popescu's seminal periodization of the history of Latin American economic thought, proposing amendments to expand its breadth and reach.

The remaining three papers display the perspective of Latin American scholars on topics that have attracted the attention of students from all over the world. Matari Pierre Manigat explores the writings of Austrian economist Rudolf Hilferding to argue that his theory of financial capital presupposed important transformations in the role played by the state in modern capitalist economies, especially in relation to the management of economic crises. Moving to the history of postwar economics, Lucas Casonato and Eduardo Angeli reconstruct the development and maturing of Israel Kirzner's theory of entrepreneurial action, an essential rally point for the revival of interest in the Austrian School of Economics since the 1970s. Finally, Hugo Chu looks at the development of mathematical growth theory during the 1950s and 1960s through a magnifying glass, showing how Paul Samuelson incorporated the insights of Frank Ramsey on intertemporal optimization into his own theory of optimal growth – thus providing an important channel through which the concept of a representative agent penetrated contemporary macroeconomics.

We hope this symposium will serve as an appropriate showcase for the work produced by the vibrant community of historians of economics in Latin America, while enticing still others to join the ranks of ALAHPE.

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## CHAPTER 2

# SAMUELSON ON POPULIST DEMOCRACY, FASCIST CAPITALISM AND THE VICISSITUDES OF SOUTH AMERICAN ECONOMIC DEVELOPMENT (1948–1997)

Mauro Boianovsky

### ABSTRACT

*Paul Samuelson was attracted to the irregular economic development pattern of some South American countries because of the links between economic performance and political factors. He discussed the influence of “populist democracy” on Argentina’s relative economic stagnation, which, he argued in the 1970s and early 1980s, served as a dangerous paradigm for the American economy under stagflation. Stagflation phenomena marked the end of Samuelson’s “neoclassical synthesis.” Moreover, he applied his concept of “capitalist fascism” to deal with military dictatorships in Brazil and (especially) in Chile. The Brazilian translation of his Economics in 1973 brought about a correspondence with Brazilian economists about the “fascist” features of the regime. The main variable behind the South American economic and politically unstable processes discussed by Samuelson was economic inequality, which became also a conspicuous feature of the American economy since the adoption of market-based policies in the 1980s and after.*

**JEL Classification:** B22; O11

**Keywords:** Samuelson; populism; capitalist fascism; South America; inequality; economic development

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If we broaden our definition of failure to go beyond the behaviour of broad real aggregates of output and income, if we include failure of a market system to provide what electors deem a fair and equitable *degree of equality* of income and opportunity – if we do this, we can assert with propriety and confidence that *often failure of capitalism is what can be expected to result in its demise*. (Samuelson, 1981a; italics in the original)

## 1. STAGFLATION AND THE END OF THE NEOCLASSICAL SYNTHESIS

Since Adam Smith's *Wealth of Nations*, economists, historians and social scientists have discussed Latin America from the perspective of what *distinguishes* it from Europe or the United States. This applies to Alexander von Humboldt's celebrated pioneer reports of his travels to the vice-kingdom of New Spain (Mexico) in early nineteenth century (Boianovsky, 2013), through the emergence of development economics in mid twentieth century, when Albert Hirschman, Hans Singer, Theodore Schultz, Dudley Seers, and other foreign economists investigated Latin American underdevelopment. That was often related to the creation of centers of Latin American studies in American universities, where experts in Latin American economy, history and society – including the so-called “Brazilianists,” such as Albert Fishlow, Werner Baer, Warren Dean, Thomas Skidmore, Stanley Stein, and Joseph Love – could be housed. Centers of investigation of economic development, at first largely motivated by the Cold War, were established, including MIT's Center for International Studies (Cenis), created in 1951, which gathered W. Rostow, P. Rosenstein-Rodan, and R. Eckaus among others (Blackmer, 2002).

By the late 1960s and early 1970s, Paul Samuelson and Milton Friedman, from MIT and Chicago, respectively, two prominent American economists who were not experts on South American societies, became interested in some of their economic and political features. They feared that chronic and accelerating inflation, as well as fragile economic growth, which beset a number of South American countries – a phenomenon Samuelson labeled “stagflation” – would affect the US economy as well. They both became (for a time) interested in the economies of South American countries because they thought it could shed some light on future economic performance of their own country – it was not so much the distinctiveness as the prospective *similarity* between South American and US macroeconomic problems that attracted their attention. Accelerating inflation episodes in Brazil, Argentina and Chile played a significant role in the formulation of Friedman's (1968, 1977) concept of a long-run vertical Phillips curve and of mechanisms to cope with chronic and volatile inflation (Boianovsky, 2020a).

The current chapter investigates Samuelson's political economy in the South American mirror. It is a case study of how three major South American countries – Argentina, Brazil, and Chile – have been regarded as social laboratories, both for defenders of market freedom and their opponents, involving populist democracies, dictatorships and free market experiments. Moreover, it documents Samuelson's attempt to fight against the influence of the Chicago School as a driving force