

RESEARCH IN THE HISTORY OF ECONOMIC THOUGHT AND METHODOLOGY

Including a Symposium on Economists and
Authoritarian Regimes in the 20th Century

Symposium guest edited by Federico D'Onofrio and
Gerardo Serra

Edited by Luca Fiorito, Scott Scheall
and Carlos Eduardo Suprinyak

RESEARCH IN THE HISTORY
OF ECONOMIC THOUGHT
AND METHODOLOGY

VOLUME 38B

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AND METHODOLOGY

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RESEARCH IN THE HISTORY OF ECONOMIC THOUGHT
AND METHODOLOGY VOLUME 38B

**RESEARCH IN THE HISTORY
OF ECONOMIC THOUGHT
AND METHODOLOGY:
INCLUDING A SYMPOSIUM
ON ECONOMISTS AND
AUTHORITARIAN REGIMES
IN THE 20TH CENTURY**

EDITED BY

LUCA FIORITO

University of Palermo, Italy

SCOTT SCHEALL

Arizona State University Polytechnic Campus, USA

CARLOS EDUARDO SUPRINYAK

Universidade Federal de Minas Gerais, Brazil



United Kingdom – North America – Japan
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ABOUT THE EDITORS

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.

Scott Scheall is Assistant Professor and Director of Graduate Studies in the Faculty of Social Science in Arizona State University's College of Integrative Sciences and Arts, as well as Project Director for the History of Economic Thought in Arizona State University's Center for the Study of Economic Liberty. He has published extensively on topics related to the history and philosophy of the Austrian School of economics. He is the author of *F. A. Hayek and the Epistemology of Politics: The Curious Task of Economics* (Routledge, 2020).

Carlos Eduardo Suprinyak is Associate Professor of Economics at the Federal University of Minas Gerais, 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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LIST OF CONTRIBUTORS

<i>Alexandre F. S. Andrada</i>	Universidade de Brasília, Brazil
<i>Mauro Boianovsky</i>	Universidade de Brasília, Brazil
<i>Nicolas Brisset</i>	GREDEG – CNRS, Université Côte d’Azur, France
<i>José Luís Cardoso</i>	Instituto de Ciências Sociais, Universidade de Lisboa, Portugal
<i>Doriana Matraku Dervishi</i>	Universiteti i Tiranes, Albania
<i>Federico D’Onofrio</i>	Università Ca’ Foscari Venezia, Italy
<i>Till Düppe</i>	Université du Québec à Montréal, Canada
<i>Raphaël Fèvre</i>	University of Cambridge, UK
<i>Luca Fiorito</i>	University of Palermo, Italy
<i>Elisa Grandi</i>	Paris School of Economics, France
<i>Marianne Johnson</i>	University of Wisconsin Oshkosh, USA
<i>Sarah Joly-Simard</i>	Université du Québec à Montréal, Canada
<i>Tinashe Nyamunda</i>	North West University, South Africa
<i>Scott Scheall</i>	Arizona State University Polytechnic Campus, USA
<i>Reinhard Schumacher</i>	Universität Potsdam, Germany
<i>Gerardo Serra</i>	University of Manchester, UK
<i>Carlos Eduardo Suprinyak</i>	Universidade Federal de Minas Gerais, Brazil

VOLUME INTRODUCTION

Volume 38B of *Research in the History of Economic Thought and Methodology* features a symposium on the variety of experiences of professional economists who lived and worked in different authoritarian regimes in the twentieth century. The symposium is guest-edited by Federico D'Onofrio and Gerardo Serra, two authorities on the subject, and features contributions from several experts on the history of economics as practiced in particular regimes. José Luís Cardoso writes about economists under the Salazar regime in Portugal; Nicolas Brisset and Raphaël Fèvre consider Francois Perroux's work in Vichy France; Till Düppe and Sarah Joly-Simard discuss Stalin's surprising pluralism about economic thought and how it served as cover for his dictatorial tyranny; and Doriana Matraku Dervishi and Marianne Johnson write about the concept of isolation in the economics of Enver Hoxha's Albania. Tinashe Nyamunda considers the African context in his paper on the work of economist Jan L. Sadie in Southern Rhodesia in the 1960s. Turning to South America, Elisa Grandi discusses the World Bank's role in Gustavo Rojas Pinilla's post-coup government in Colombia, while Alexandre Andrada and Mauro Boianovsky address the income distribution controversy that arose during Brazil's military dictatorship in the 1970s.

The volume also features a new general-research essay by Reinhard Schumacher and our own Scott Scheall that discusses Karl Menger's partial and incomplete biography of his father, and provides new, previously unknown, details concerning Carl Menger's life.

Luca Fiorito

Scott Scheall

Carlos Eduardo Suprinyak

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

PART I

A SYMPOSIUM ON ECONOMISTS AND AUTHORITARIAN REGIMES IN THE 20TH CENTURY

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CHAPTER 1

HIDDEN AGENCY: ECONOMISTS AND AUTHORITARIAN REGIMES IN THE 20TH CENTURY

Federico D'Onofrio and Gerardo Serra

ABSTRACT

This symposium analyses the mutually constitutive relationship between economic knowledge and political order. Through a wide range of case studies from Europe, Africa, and Latin America, the essays collected shed new light on the choices and constraints faced by economists under authoritarian rule in the twentieth century. The contribution of the symposium is twofold. Firstly, it expands the geographical and chronological scope of the conversation on the politics of economics. Secondly, it encourages a more nuanced understanding of economists' agency in their different guises as educators, party propagandists, policy-makers, model-builders, and dissidents.

Keywords: Authoritarianism; dictatorship; twentieth century; economists; agency; political economy

INTRODUCTION

This symposium presents a collection of essays on economists' lives and work in the context of twentieth century authoritarian regimes. The attempt to understand the relationship between forms of government and economic outcomes runs through the whole history of political economy. In more recent decades,

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the respective outcomes of democratic and non-democratic governments have still been widely debated among economists and economic historians (Acemoglu, Naidu, Restrepo, & Robinson, 2019; Barro, 1996; Rodrik & Wacziarg, 2005), who often adopted ludicrously ad hoc definitions of democracy (Olson, 1993). Political scientist A. James Gregor, instead, has coined the term “developmental dictatorship” to underline the potential of certain dictatorial regimes to bring about “modernization” (Gregor, 1980).

On the other hand, historians have stressed the intrinsically authoritarian nature of the purportedly neutral rule by the expert. While the connection between communist regimes and top-down economic planning is obvious, fascist regimes and movements of the early twentieth century are often associated with “technocracy” (for instance, Fernández Prieto, Pan-Montojo, & Cabo, 2014; Mattei, 2017b; Salsano, 1993). Yet, the emphasis on “technocracy” as an explanatory variable can obscure the variety of roles played by economists, and the contextual conditions of their action. As a consequence, a historical and sociological appraisal of the role played by economists in shaping the identity and the trajectory of dictatorships remains underdeveloped. Since authoritarian regimes have also been laboratories for economic and social transformation, and catalysts for the production of new iconographies and political practices, studying how economists worked is conducive to a fuller understanding of the mutually constitutive relationship between the economic and political orders.

Admittedly, our quest for economists’ agency under authoritarian rule faces daunting conceptual difficulties, pertaining to both the definition of these political formations, and how economists inhabited them. What is an authoritarian regime, anyway? Over the course of the twentieth century, an important part of the attempt to answer this question has taken the form of a dichotomous distinction between “totalitarian” and “authoritarian” states (Arendt, 1948; Friederich & Brzezinski, 1965; Linz, 1964, 2000). More recently, political scientists and sociologists have coined new categories to differentiate between different types of authoritarianism (“neo-sultanistic, neo-patrimonial, personal, bureaucratic authoritarian, military, inclusive military, exclusive military, single party, dominant (or hegemonic) party, semi-authoritarian, autocratic, and totalitarian,” Haber, 2006). Initially, these concepts seemed promising for our inquiry, but imposing them on our case studies would have led to sacrifice some of their complexity and nuance. We decided therefore to loosen our conceptual starting point, and focus on historical contexts that, in spite of profound differences, shared some broad features such as the lack of a competitive political system, strong limitations to the press and teaching freedom, and a highly developed repressive apparatus.

These features deeply affected the ways in which economists expressed themselves, and their ability to influence policies. The broadening debate on the public role of economists and economics (Maas, Guidi, & Medema, 2019; Mata & Medema, 2013), benefitting from a more explicit inclusion of heuristic tools drawn from media studies and the sociology of knowledge, remains focused on parliamentary contexts. It follows that much remains to be done to identify and historicize the specificities of the economists’ positions within the restricted and contested “public sphere” of authoritarian regimes.

GEOGRAPHIES OF AUTHORITARIANISM

This symposium presents case studies from Portugal (José Luís Cardoso), Russia (Till Düppe and Sarah Joly-Simard), Colombia (Elisa Grandi), Brazil (Alexandre Andrada and Mauro Boianovsky), Zimbabwe (Tinashe Nyamunda), Albania (Doriana Matraku Dervishi and Marianne Johnson), and France (Nicolas Brisset and Raphaël Fèvre). The current historiography, while substantial, has tended to focus on a limited sample of European countries and one outlier, Chile. The Cold War made an understanding of the political implications of Soviet economic debates particularly urgent. From this point of view, an appraisal of the 1920s debates on industrialization, or of the rise of mathematical economics, contributed to shape the fields of Soviet studies and history (Ellman, 1973; Lewin, 1975). In the 1990s, in parallel with retrospective discussions of Soviet economic thought and policy (Sutela, 1991), acknowledging the wide variety of theoretical constellations in other Eastern European countries became intertwined with the debate on post-communist transitions (Wagener, 1998). Alternatively, as shown by Peter Caldwell (2003) in his insightful study of the German Democratic Republic, the history of Marxist political economy could be inscribed, alongside that of legal theory, philosophy, and cybernetics, into a holistic analysis of the relationship between the production of knowledge in the human and social sciences, planning, and state power. Ethnographic approaches to socialist planning have proven to be particularly fruitful in reconstructing the complex political lives of economic concepts and practices (Lampland, 1996; Cucu, 2019). Nor has the history of economics under communist rule simply been invoked to shed light on its context of inception: Vincent Barnett (2006), for example, mobilized Soviet economics to advocate for a more contextual and historically nuanced understanding of what counts as “dissent.” The last few years have seen the proliferation of initiatives that have vastly enriched our understanding of the history of economics under communism. Occasionally, this has also led to include the lives and careers of historians of economic thought under Soviet rule (Boldyrev & Kragh, 2015; Shirokorad & Zweynert, 2012). The “Between Bukharin and Balcerowicz: A Comparative History of Economic Thought under Communism” project is producing new national histories of economics under communist rule (Bulgaria, Czechoslovakia, China, German Democratic Republic, Hungary, Poland, Romania, USSR, and Yugoslavia). More recently, a supplement to *History of Political Economy*, entirely dedicated to the history of economic knowledge under socialism (Düppe & Boldyrev, 2019), signals the increasing willingness of our field to take the ideas of economists working under dictatorship (or at least their histories) seriously.

Within the broad historiography on fascisms, especially following Zeev Sternhell’s (1983) interpretation of fascist ideology as rooted in a revisionist socialism, Italian corporativism has provided a crucial case study. For historians of economic thought, it is only since the 1980s, when the history of Fascist economic thought started attracting some sustained attention, that the emphasis has shifted from “rational reconstructions” to a “more detached historical analysis” (Guidi, 2000, p. 32). Over the past few years, different generations of Italian scholars have come together to discuss these issues as part of their shared

commitment to illuminate a divisive period in the country's history (e.g., [Barucci, Bini, & Conigliello, 2017](#), and the project led by Massimo Augello at the Centro Interuniversitario di Documentazione sul Pensiero Economico Italiano). But while, in spite of substantial methodological differences, the literature on Eastern Europe shares an emphasis on the power of the political context to transform deeply the way economists think and work, the Italian case is more ambivalent. Indeed, having generally acknowledged corporatism's "failure" to actually dominate policy-making (Cassese, 1974), the literature seems to be divided between a strand focusing on the central role of economists in conceptualizing a new "corporate system" as a "third way" between liberalism and socialism (Santomassimo, 1973; Gagliardi, 2010), and a tendency to privilege continuity and underline the strategic and occasionally opportunistic behavior of economists (Faucci, 2000; Giocoli & Faucci, 2019). Yet, the thematic emphasis and approaches deployed have varied immensely, and the latest studies on Italian economists under fascism have adopted new frameworks. This has been done, for example, by reading the work of fascist economists as part of an international discourse in support of austerity (Mattei, 2017a), through an exploration of agricultural economists' contribution to policy-making ([D'Onofrio, 2017](#)), or by uncovering new political implications in the empirical debates on the measurement of income inequality (Gabbuti, forthcoming).

Other varieties of corporatist and fascist economics have been surveyed, with particular reference to the French case ([Baker, 2006](#)) and the Portuguese Estado Novo (1932–1974). Like in the Italian case, discussions of Portugal under Salazar have emphasized the ambivalence of the national economists' position, torn between the articulation of a radically new "corporate order," and the preservation of older "liberal" ideas and categories ([Bastien & Cardoso, 2007](#)). The long-lasting rule of the Estado Novo connects the experiences of interwar fascism with the right-wing regimes of the post-war period. Outside Europe, historians of economics have concentrated on Pinochet's Chile (1973–1990) and emphasized the profound impact of foreign economists on domestic politics and economic policies. While the pioneer study of [Juan Gabriel Valdés \(1995\)](#) documented the variety of ways in which Chicago economists reshaped the Chilean state and its national economy, recent publications have either focused on the narrower – but highly controversial – issue of Hayek's support for Pinochet's regime ([Caldwell & Montes, 2015](#)), or shed light on alternative transnational networks, such as those inspired by Yugoslav decentralized socialism, that articulated a critique of the "Chicago Boys" ([Bockman, 2019](#)).

As suggested by studies on China (Weber, forthcoming), Indonesia ([Simpson, 2008](#)), and Ghana ([Serra, 2015](#)) – among others – the case studies discussed above do not exhaust the geographical horizon of the literature on economics under authoritarian rule. From this point of view, the choice to go beyond the authoritarian–totalitarian distinction allows us to stretch the time-span covered (from the interwar period to the 1980s) and, more importantly, establish a conversation between "classic" examples (Stalin's Russia, the Estado Novo in Portugal, Vichy's France), and political formations that have either been completely ignored by historians of economics (Albania under Enver Hoxha, Southern Rhodesia at the time of the Unilateral Declaration of Independence), or not discussed through

this lens (Brazil under Emílio Garrastazu Médici and Ernesto Geisel, Colombia under Gustavo Rojas-Pinilla). The inclusion of Southern Rhodesia (today's Zimbabwe) is not simply a contribution to the largely neglected history of economics in Sub-Saharan Africa. Tinashe Nyamunda's analysis points at the continuous centrality of economists in establishing an oppressive political formation, as it evolved from territory ruled by a chartered company to post-colonial nation. Even though it was characterized by a distinctive racist outlook and ideology, the historical trajectory of Southern Rhodesia raises questions on the analogies and differences between the ways in which authoritarianism works in colonial dependencies and sovereign states.

UNCOVERING AGENCY

Actors

The biographical lens through which much history of economics under dictatorship has been written privileges a narrative that almost inevitably ends with the "fall from grace." The fate of many system-builders who went, sometimes abruptly, from being hailed as the architects of the new order to enemies of the state, is a powerful reminder of the intellectual and political uncertainties of life under authoritarian rule. The trajectory of Nikolai Bukharin remains paradigmatic (Cohen, 1980). But there are many other, less known (and sometimes less tragic), histories. Jenő Varga, a key economic advisor to Stalin's regime, was discredited for his position on foreign policy (which contradicted Stalin's), but his life was spared and he managed to maintain an academic position (Mommen, 2011). Omar Ottonelli (2012, 2013) has vividly reconstructed the tragic irony of the life of the Jewish (and later Catholic) economist Gino Arias who, after contributing to the theorization of Italian corporatism, fled to Argentina to avoid being prosecuted under the racial laws. He did not live long enough to know that his request to be readmitted into Italian academia had been accepted by Mussolini himself. The list could go on.

These life-trajectories show how difficult it is to encapsulate the work of economists under authoritarian regimes in clear-cut categories: regime's ideologues or victims of power. Following Nikolai Kremenstov's (1997) pathbreaking study of Stalinist science, we do not think of economists as the mere victims of the repressive power of the state. Nor do we, by adopting James C. Scott's (1990) notion of "hidden transcript," reduce economists' agency to an opaque, everyday resistance against an overwhelming power. Resistance was not the only, or even the dominant form of agency. Rather, economists behaved like other citizens of non-democratic states. It holds for many of them what the anthropologist Alexei Yurchak observed, paraphrasing Patrick Seriot, about Soviet citizens:

by the end of perestroika in the late 1980s, it had become politically important, especially for members of the intelligentsia, to emphasize that during socialism there was no "mixing [of] the language of power with their own language" and that their own language was "a free space to be extended through struggle" (Seriot, 1992, pp. 205–206). But this story of divided languages was, to a large extent, a retrospective late- and post-perestroika construction. (Yurchak, 2005, pp. 6–7)

For many economists, the dichotomous distinction between the “economics of the regime” and their own was an *a posteriori* reconstruction.

Who was then shaping the ordinary intellectual life of economists? Ronald L. Meek wrote that, following “great changes in economic and social institutions, [...] it happens that the political leaders who usher in the changes are themselves men with a taste for theoretical generalization, in which case both the new order and the theory of the new order may come to be constructed under the guidance of one and the same hand” (Meek, 1953–1954, p. 232).

The two contributions that open the symposium, devoted respectively to the Estado Novo in Portugal and to Stalin's Russia, show that this was indeed the case, but also suggest great diversity. This diversity can be appreciated by looking at two main aspects. The first consists in studying the dictator as an economic thinker in his own right. This line of inquiry has informed discussions of political contexts as different as Nazi Germany (Birken, 1991) and socialist Cuba (Yaffe, 2009). In this volume (chapter 2), José Luís Cardoso presents a reconstruction of the intellectual contributions of António de Oliveira Salazar. Before becoming President of the Council (Prime Minister) in 1932, Salazar taught Political Economy and Public Finance in the Faculty of Law at the University of Coimbra. His writings from this period (1916–1928) dealt primarily with agriculture and monetary theory and policy, and displayed a systematic knowledge of classical, institutionalist, Marxist and neoclassical approaches to political economy. Combining an institutionalist sensitivity with an advocacy of stable exchange rates, Salazar was more concerned with improving Portugal's financial and commercial position than with the elaboration of economic theory. More importantly, Cardoso shows the significant degree of disconnect and contradiction between Salazar's academic writings, and his ideas and policies as the ruler of a “corporative” state.

The second way of analysing the impact of a dictator on economic discourse is by exploring their interventions on the institutional and rhetorical landscape within which economic debates occur. This is the key theme in Till Düppe's and Sarah Joly-Simard's discussion of Stalin. Even though he wrote about issues as disparate as metaphysics, philosophy of science, and linguistics, his contribution to political economy rests primarily with *Economic Problems of Socialism in the USSR* (Stalin, [1952]1972), and with the quest for a new textbook on the political economy of socialism. The necessity for the textbook arose from the declaration, in 1936, that socialism had been achieved in the USSR. What was needed, then, was an authoritative text that could update the wisdom of the three “founding fathers” (Marx, Engels, and Lenin) in light of the unique position of Soviet Russia, and that could provide the scientific basis to guide the country's transition to full communism. The creation of the textbook kept occupied the top-ranks of the Soviet economics profession for almost 20 years. It was only in 1954, after Stalin's death in 1953, that the textbook was finally published. The authors reach the fascinating (and seemingly counterintuitive) conclusion that Stalin's insistence on opening up the debate about the political economy of socialism was part of a strategy aimed at consolidating his rule. Specifically, Düppe and Joly-Simard show that, by erecting a facade of scientific pluralism, Stalin managed to divert the intellectuals' attention from economic mismanagement and political

repression, consolidate his persona as the “philosopher king,” and create a rhetorical and institutional context in which his opponents could be easily dismissed and removed. Behind the scene of the carefully staged representations, repression appears so strict that the scientific debate turns into a monologue (in Bakhtin’s sense, [Bakhtin, 1986](#)) and the dictator the only audible voice left.

The breadth of the economic debate then depended on a number of contingencies, such as the topics addressed. Stalin himself insisted on the distinction between the political economy of socialism and the economics of socialism (Düppe & Joly-Simard, this volume, Chapter 3). Clearly, he intended to shape the debate on the former. But technical aspects of economic policy, such as public finance, agricultural economics, exchange rates, and foreign trade-related topics offered economists some space for free discussions – although the bourgeois experts involved in the first five years plan learnt the limits of this freedom in the hardest way ([Klein, 1999](#)). Applied technical issues, therefore, remained a main justification for the production of economic knowledge – and could represent a potential survival strategy – under the harshest regimes, as Matraku Dervishi and Johnson show in their study of Enver Hoxha’s Albania (this volume, Chapter 7). In light of applied economics’ perceived ideological neutrality, methods and practices with an immediate practical content could be introduced more easily from abroad, as indicated in Grandi’s discussion of World Bank experts in Colombia (this volume, Chapter 4).

In and Out

The contributions represent a wide continuum, spanning from the extreme isolation of Albania to the relative openness (as far as the economists’ international connections were concerned) of Brazil and Colombia. They force us to interrogate the dynamics underpinning the circulation and transfer of economic theories, models, individuals, and institutions. In the post-war world, even economists living under authoritarian rule had to position themselves with respect to new hegemonic international trends, and respond to the growing internationalization, homogenization, and “Americanization” of economics ([Hesse, 2012](#); [Rossier & Bühlmann, 2018](#)). Admittedly, the literature on Pinochet’s Chile has already provided a powerful reminder of the importance of studying economic ideas under dictatorship as part of a broader international system. But the dominant narrative is still that of a one-way flow from the “center” to the “periphery,” and is the story of a group of foreign economists who, sharing a commitment to free-markets, reinforced the intellectual, political, and economic infrastructure of the regime. The case studies collected here open up a wider range of possibilities to reflect on the sometimes porous intellectual boundaries of authoritarian regimes.

In Hoxha’s Albania, the Soviet political economy “imported” in the 1950s became a cage that prevented any significant theoretical innovation. In Portugal, in the last years of the Estado Novo’s rule, “foreign” economic theories and categories provided sceptics of the regime with room for manoeuvre. The local economists’ participation in international networks – those of the Marshall Plan, in the Portuguese case – is therefore not to be seen exclusively in terms of the acquisition of new methods, but also through its effects on economists’ agency.

Salazar's rule (Cardoso, this volume, Chapter 2) provides an example of how "imported" Keynesianism acquired a political life of its own, and evolved from dissent to mainstream.

The cases of Brazil (Andrada & Boianovsky, this volume, Chapter 5) and Colombia (Grandi, this volume, Chapter 4) introduce additional layers. Elisa Grandi's exploration of 1950s Colombia provides an instance in which foreign "international" economists provided arguments against the regime's policies. The apparent neutrality of economics made it easy for World Bank experts to continue working in Colombia regardless of the nature of government in power. But the role of foreign consultants became increasingly problematic, as the elites of the Cauca Valley dragged them into their fight against the central government. In this chapter of the global history of the New Deal (Patel, 2016), Tennessee Valley Authority's former head David Lilienthal became involved in the struggle between local notables and the dictator. Alexandre Andrada and Mauro Boianovsky discuss the income distribution controversy in 1970s Brazil. The authors convincingly demonstrate how the military government tried to strike a balance between the necessities of political repression and a façade of academic freedom. This balance was upset by the intervention of external actors (such as American economists and international organizations) in the debate on inequality. Pro-government economists and officials decided to scientifically engage with criticism from outside, rather than disqualify it as foreign interference. Andrada's and Boianovsky's contribution also shows the fruitfulness of overcoming the boundaries separating intellectual history and political economy, and the necessity to historicize the co-construction of economic theory, statistical evidence, and political debates.

The case of Southern Rhodesia (Nyamunda, this volume, Chapter 6) presents a more polarized relationship between national economists and foreign consultants. Nyamunda shows how and why, even though Southern Rhodesia had its own community of academic economists, the government chose to employ the South African J. D. Sadie to identify viable policy options that did not challenge the racist basis of the regime's ideology. Sadie's consultancy came at a difficult time, when the white settlers' minority ruling over Southern Rhodesia unilaterally declared their independence from Britain. This represented an act of opposition to the wave of decolonization that was sweeping across the African continent. The Rhodesian government repressed and deported those radical academics who, like Giovanni Arrighi, employed the tools of historical analysis and dependency theory to challenge "mainstream" economists' complicity with racism and white settler rule.

New Science, New Sites

In order to reconstruct the context in which economists worked, it is necessary to go beyond the role of the political leader and the interplay of national and international factors. In our selection of case studies, we tried to showcase the wide diversity of "sites" in which economists worked. It was not uncommon for authoritarian regimes to hold the view that a "new" science (or at least a science whose identity and expected contribution had been transformed by the regime's

expectations) required the creation of new sites of teaching, research and data collection. This belief often resulted in a radical alteration of the institutional landscape, or in a heavy-handed intervention on existing structures. Within the extensive literature on the sites and institutional infrastructures of economic knowledge, socialist countries have been studied with particular attention. Relevant examples include the Conjunction Institute of the People's Commissariat of Finance in 1920s Moscow (Barnett, 1998, 2011), the computing infrastructure in post-stalinist Soviet Union (Leeds, 2016), the Humboldt University in the German Democratic Republic (Düppe, 2017), or the Kwame Nkrumah Ideological Institute in 1960s Ghana (Serra & Gerits, 2019).

Some of the articles featured in this special issue address the “situatedness” of economic debates by expanding the analysis incorporate research and higher learning institutions in non-socialist countries. In Cardoso's analysis of Portugal under Salazar (1932–1968) and Marcelo Caetano (1968–1974), institutions are fundamental in several respects. In the 1930s the Faculties of Law of the Universities of Coimbra and Lisbon, where Salazar and Caetano had respectively taught, became crucial sites for the construction of the regime's new corporative ideology, and incubators of the country's ruling elites. In the aftermath of World War II, the prominence acquired by the Institute of Economic and Financial Sciences of the Technical University of Lisbon (ISCEF, founded in 1931) simultaneously marked a turning point in the professionalization of economics (with “qualitative” political economy being replaced by quantitative and mathematical approaches), and a shift in the boundaries of what was considered politically acceptable. By creating an institutional space for the circulation of Keynesian theory and categories, the ISCEF favored “the emergence of authorized voices of dissent” (Cardoso, this volume, Chapter 2, p. 33).

The connection between regimes and centers of knowledge production is also underlined in Andrada's and Boianovsky's chapter on Brazil, and in Brisset's and Fèvre's analysis of François Perroux in Vichy's France (this volume, chapter 8). In the Brazilian case, this can be observed with reference to the new Institute of Applied Economic Research (IPEA). In spite of having been established by the government, the IPEA guaranteed a significant degree of freedom on the politically explosive debate on income distribution. However, what contributed to shield several Brazilian economists associated with the IPEA from censorship (and possibly imprisonment), was their connections with foreign institutions, and specifically their PhDs from prestigious American universities. In the revealing words of Yale-trained Edmar Bacha, “My PhD protected me” (Andrada & Boianovsky, this volume, Chapter 5, p. 77). Perroux, on the other hand, was extremely active in the creation of new journals, book series, and interdisciplinary institutions that mirrored his commitment to a more “holistic” economic science.

Between Rituals and Entrepreneurship

The chapters highlight another variable: a growing degree of normalization of the regime and ritualization of its science. In practice, this ranged from the work of economists involved in the elaboration of a new ideology to those who, instead,

contributed to the ritualized ossification of the regime's outlook and beliefs. In the latter case, such as in Albania in the 1970s and 1980s, the regime was "normal life," as for the late-Soviet citizens investigated by Yurchak (2005). The cases of Portugal, Brazil, and Vichy belong, instead, to the former category. Theoretical debate seems entirely stifled in the case of Albania presented by Doriana Matraku Dervishi and Marianne Johnson. The citation practices of doctoral dissertations discussed at the University of Tirana, and the narrowness of the topics allowed in academic economics, suggest that economics largely amounted to social rituals that echoed and disseminated state ideology. Albanian confirmation rituals differed from the strategic lip service paid by Italian economists of different persuasions to corporatism, which hid instead the attempt to advance very different agendas (Cavaliere, 1994, p. 11). Strategic lip service masks the "real" meaning of texts through a formal homage to conventions. It is not necessarily an act of rebellion or defiance. It is rather part of a strategy for exerting influence, even when it belongs to the "tricks" of "writing between the lines" (Strauss, 1941). The value of confirmation rituals, instead, resides in repetition, not in content; they are the academic equivalent of Durkheimian rituals that reinforce the group cohesion. They belong to the kind of ritualized acts and speech acts that precede the division "between mask (acting as if) and reality, truth and lie" (Yurchak, 2005, p. 22). Deprived of any real creative debate, Albanian economic theory became – as Matraku Dervishi and Johnson observe – "functionally irrelevant for policy and practice" and turned into a political activity, an echo-chamber that canceled every external noise. The task of economists became a mix of propaganda and ideological training. The case of L. D. Yaroshenko, who participated to the debate encouraged by Stalin described by Düppe and Joly-Simard, is an interesting demonstration of the ritual nature of certain events. By overestimating the openness of the 1952 debate, Yaroshenko exposed himself to the repressive force of the state, thus confirming the purely ritual nature of the debate.

On the opposite pole of the continuum, and in stark contrast with the ossified intellectual and institutional experience of Albania, we can locate the trajectory of François Perroux in Vichy's France (this volume, Chapter 8). On the basis of rich archival evidence, Nicolas Brisset and Raphaël Fèvre document the ways in which Perroux strategically mobilized the narrowing scope for political debate to develop and disseminate his ideas. Specifically, they argue that the authoritarian context provided an "opportunity" for the development of what they label Perroux's "institutional and intellectual entrepreneurship." This can be observed with reference to Perroux's activities within the *Fondation française pour l'étude des problèmes humains* (or Carrel Foundation), set up by Marshal Pétain. Six months after joining as technical advisor, Perroux was already General Secretary. His creation of a new *Centre d'échanges de théorie économique* (CETE) within the Carrel Foundation proved to be crucial for the construction of new a "science of man" that reconfigured the relationship between biology, economics, and other social sciences. Perroux's life and work in the aftermath of France's liberation suggest some further implications. In spite of his vocal support for Pétain's regime, Perroux survived, and reinvented himself as an authoritative and critical voice in the post-war era. A few days before the liberation of Paris,

his friend and co-author Yves Urvoy was not so lucky, and was shot by members of the Resistance for being a Vichy propagandist. These outcomes point at the unpredictability of the context in which many of the economists discussed in this volume lived and worked. It is important to historicize uncertainty rather than overemphasize the “rationality” of the strategies deployed by economists for mere survival, advancement of their scientific agenda, or career improvement. On the other hand, the contribution on Perroux is the only one in this symposium discussing explicitly adaptation and “rebranding” in the aftermath of the regime’s fall. Perroux’s “intellectual entrepreneurship” led him to alter some of the terminology and conceptual apparatus of his Vichy writings, and to associate himself with political and intellectual networks that could facilitate a sympathetic and charitable interpretation of his involvement in Vichy’s regime. This is a reminder of the fact that economists who vocally supported authoritarian regimes could outlive them: in those cases, we can uncover their agency also in attempts to shape public memory and re-write history.

CONCLUSION

This symposium hopes to enrich the debate on how economists lived and worked under authoritarian rule. By broadening the geographical horizon, stretching the time-span, and expanding the sites of analysis, these papers open up new vistas onto the political lives of economic knowledge in “the age of extremes” (Hobsbawm, 1995). Rather than treating economists as either passive victims or uncritical ideologues, we showcase a great variety of ways in which economists inhabited and shaped repressive political contexts. From a historiographical point of view, the chapters collected here suggest the necessity of prudence and modesty when thinking about the relationship between economists and the authoritarian states in which they lived. In spite of crucial differences, economists appear active but not necessarily in charge. They are part of a system, and they play with its rules, but they are not ruthlessly determining its outcomes based on blind ideology, as sometimes literatures on experts and policy-making – pointing its finger accusingly at “neoliberal” economists – seems to imply (Angner, 2006; Clark, 2017, among many others). Instead, it is possible to read the case studies in this volume by looking at the interaction of three main variables: the rank and position of the economists within the political and economic structure of the regime; the degree of openness of the nation’s economic community to international influences; and the degree of ritualization of economic discussions. While still elusive, the degree of freedom enjoyed by economists – and their agency – in a given political context can be glimpsed at the intersection of these three elements.

From today’s viewpoint, these case studies might look like postcards from a world that has been made irrelevant by the fall of the regimes discussed and by the end of the Cold War. Yet, in light of the profound differences (and some unsettling similarities) between the authoritarian political formations analyzed here and those that populate the contemporary political landscape, they are timely.

The main value of these contributions does not lie in the possibility to uncover “valid” economic ideas that did not necessarily survive their context of inception. Instead, our ultimate hope is that this symposium will serve as an invitation to critically interrogate the “regimes of truth” within which economics and power structures coexist and shape each other.

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CHAPTER 2

ECONOMISTS AND AUTHORITARIANISM IN PORTUGAL (1926–1974): FROM ADHERENCE TO DISSENT

José Luís Cardoso

ABSTRACT

This chapter seeks to describe the successive stages in the training and recruitment of economists at the service of the political regime that ruled over Portugal between 1926 and 1974. This chapter presents the main institutional settings for the education and practices of those who served the government in economic functions throughout this period. Its main aim is to show the changes that occurred in the understanding of the problems related with the development of the Portuguese economy, seeking to elucidate the processes of legitimization of an authoritarian regime, but also to show the signs of a critical break with a model of economic and social organization and a political regime that had reached the point of exhaustion.

Keywords: Authoritarian regimes; fascism; Portugal; Salazar; political economists; corporatism; Keynesianism

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1. INTRODUCTION

The political regime in force in Portugal between 1926 and 1974, normally referred to as the *Estado Novo* (New State), had a markedly authoritarian and dictatorial character. Was it a fascist regime?

In the historiography of dictatorships in the interwar period, the term “fascism” usually serves to designate a type of political regime that suspends the practice of democracy, represses individual freedom, and promotes the glorification of nationalist and racist ideals. Mussolini’s Italy and Hitler’s Germany function as a mirror in which similar images are unified by an ideology with common traits that it seems convenient to describe as if it were a single matrix of thought and action. The historiographical contributions on the subject are immense, and it does not seem acceptable to label all totalitarian national regimes – in Europe, South America, or East Asia – under just one single and simplified designation.¹

However, the ease with which the word “fascism” (or the era of fascism) has entered into the definition of so many totalitarian regimes seems to legitimize its application in broad terms, notwithstanding the historical rigor that should be considered for the classification of political regimes. Therefore, fascism has become a general category of analysis that sometimes eludes the specificities of the different varieties of dictatorships. The political regime in Portugal may not have fully replicated Italian fascism, which served as its central model of reference. But it was, nonetheless, inspired by many of the institutional features of the Italian case and therefore came close to this diversity of “fascisms” and authoritarian regimes that had the same ideological genealogy. Given the ambiguity in the use of the term fascism, for the sake of historical rigor I shall instead use throughout this chapter the terms “dictatorship” and “authoritarian regime” when referring to the political experience of the *Estado Novo* in Portugal.

One of the characteristics of this type of political regime is that it has an undisputed leader who imposes his authority and who creates around him an impregnable stronghold of complicity, networks of interests and influences that make it impossible or improbable to overcome them by the vote alone. Furthermore, such a vote cannot be freely exercised, or else its exercise is limited and controlled by an elite with specially reserved access to the administration of power.

In the Portuguese case, this leader was António de Oliveira Salazar, who came to power in 1928 as Minister of Finance, and who remained the central figurehead of the *Estado Novo* until 1968, the year in which a domestic accident removed him from the seat of power. His successor was Marcello Caetano, who attempted a mitigated *aggiornamento* that made little difference at the level of political and civic liberties. The political regime in Portugal continued to be authoritarian, until the democratic revolution of 1974.

Salazar and Caetano began their careers at the university, as distinguished and prestigious Professors of Law, at Coimbra and Lisbon, respectively. They always maintained close contact with the authors who, during this period, had such a decisive influence on the development of economic doctrines, theories, and policies in Portugal. In fact, it is important to take into account the place occupied

by teachers and graduates of the Faculties of Law in various branches of power, especially during the initial phase of the *Estado Novo*'s dictatorial regime, demonstrating that they then served as the main source of elite recruitment, particularly in the economic and financial areas. Beginning in the mid-1940s, economic doctrinaires and those responsible for the design and implementation of economic policies were recruited from the Faculties of Engineering and Economics and Business Schools. This change in the basic training of the main political agents at the service of the government enhanced the technical quality of the growth and development programs defined in the following decades. The modernization of knowledge and techniques enabled the results of their actions to challenge the closed logic of an authoritarian political regime that remained insensitive to the winds of change.

This chapter seeks to describe the successive stages in the training of economists at the service of the political regime that ruled over Portugal between 1926 and 1974. Its main aim is to show the changes that occurred in the understanding of the problems related with the development of the Portuguese economy, seeking to elucidate the processes of legitimation of an authoritarian regime, but also to show the signs of a critical break with a model of economic and social organization and a political regime that had reached the point of exhaustion.

2. THE *SITES* AND *TASKS* OF THE REGIME BUILDERS

Before beginning his political career as the charismatic leader of the dictatorial regime that governed Portugal between 1926 and 1974, António de Oliveira Salazar was Professor of Political Economy and Public Finance at the Faculty of Law of the University of Coimbra. His university career lasted from 1916 to 1928. Salazar knew how to take advantage of his academic obligations and, in the initial year of his career, published two opportune texts of undeniable interest. In the first of these academic essays, dedicated to the *Questão Cerealífera* (The Corn Question), Salazar discusses the economic model for the organization of Portuguese agriculture, advocating solutions of technical improvement, reforms of the property regime, and pragmatic protectionism (Salazar, 1916a). The importance of the food supply to the population warned against an attitude of absolute protectionism. Salazar knew the advantages to be gained in international trade, as defended by the classical and neoclassical economists and, contrary to the autarchic solutions that he would later come to advocate, did not opt at this stage for remedies of self-sufficiency. However, Salazar had already displayed a certain mistrust of the capabilities of the market, which was why he considered it fundamental to invest in the reinforcement of technological progress with the strong support of the state. This same question of the food supply was to give rise to a more explicit and direct political intervention in 1918, which provided proposals for a solution to the crisis of subsistence caused by the First World War (Salazar, 1918).

Also in 1916, Salazar published his most relevant academic work, which confirms his well-grounded training in matters relating to monetary theory and

exchange rate policy (Salazar, 1916b). In the *Ágio do Ouro* (The Gold Agio), Salazar explains the importance of exchange rate stability as a factor of equilibrium and economic growth. In addition to discussing the fundamentals of the quantitative theory of money and the balance of payments theory, Salazar analyses the Portuguese historical experience and the factors that had led to the financial crisis and bankruptcy of 1890–1891. This applied study enabled him to insist on two particularly relevant topics in the new context of 1916: the dangers of maintaining persistent imbalances both in the public accounts and in the balance of payments; and the advantages of an economic policy aimed at increasing productivity factors to foster wealth creation, so that Portugal ceased to be a debtor to foreign countries. Thus, in order to prevent the rise of the gold agio and to keep the exchange rate stable, the best solution was to guarantee a steady and stable process of economic growth that generated positive balances in international payments accounts.

For those reading these writings of Salazar nowadays, in the unlikely event of their not knowing his later political career, it is hard to associate the scholarly qualities of these texts with the profile of a dictator's trajectory. It should be noted, however, that the prestige gained with the publication of these important texts was not attained through the published output of his teaching activities in Political Economy and Public Finance at the University of Coimbra. In fact, the textbooks ("sebentas") edited by his most qualified students display the features of a descriptive teaching that was in no way concerned with the elaboration of abstract principles of economic analysis. Following the tradition initiated by his predecessors, Salazar's theoretical incursions were reduced to an eclectic description of the different currents of economic thought that merited consensual acceptance at that time. Salazar had a comprehensive knowledge of the classical, historicist, Marxist, and neoclassical schools. The marginalist authors of the "mathematical school" were criticized because of the excessively hedonistic foundations of their doctrinal principles.

His moderate interest in the authors of the German historical school was the result of a tradition of teaching political economy in law faculties that had always been committed to valuing the importance of an institutional, national, and historical framework in which economic and financial problems became meaningful and could be understood. Salazar's greatest vocation for the teaching of public finance was the source of the technical and political prestige that would lead to the definitive and early abandonment of his short university career in April 1928. He entered the government as Minister of Finance (and also of the Colonies, after 1930), before assuming the effective leadership of the government as President of the Council (Prime Minister) in 1932.

Salazar's rise to a prominent position of power was clearly determined by the success of his actions in controlling and lessening the effects of the Great Depression in Portugal. Obsessed with the need to ensure a balanced budget and exchange rate stability, Salazar earned tremendous credibility as Minister of Finance at a difficult time of restraints on current expenditure, during which he implemented a program for the development of public works and services that helped to mitigate the shortfalls caused by the international situation. He was

able to use the response to the global economic and financial crisis to implement a political project based on his mistrust of the capacities of both the market system and the parliamentary regime. The strong state would soon become the authoritarian state.

Curiously, at the same time as Salazar took over the leadership of the government, Marcello Caetano (who would succeed Salazar as Prime Minister in 1968) finished his doctoral thesis at the Faculty of Law of the University of Lisbon (Caetano, 1931). The central topic of his dissertation mirrored the crucial preoccupation of Salazar's work on the equilibrium of the exchange rate. Caetano describes in great detail the experiences of the depreciation of the national currencies in European countries after the First World War, while also engaging in some theoretical considerations about changes in the value of the currency, following very closely the reflections made by Albert Aftalion (1927) in one of his last books dedicated to the study of economic crises. For Caetano, the occurrence of crises and sudden variations in price levels, apparently brought about by changes in the amount of currency in circulation, should not cause us to overlook the essence of the phenomenon of a depreciation of the currency, the origin of which is to be found in forecasts, or, to use Keynesian terminology, in people's expectations about the future utility of the currency. He is particularly clear about how future developments are bound up with the explanation of the present, using an economic language that is largely based upon Aftalion's psychological theory.

As in the case of Salazar, the man who would become his political successor in 1968 had begun his academic career in the field of monetary theory and policy. Caetano's link to the Faculty of Law of the University of Lisbon turned out to be more stable and permanent, for he assumed political functions (until 1969) that never set him apart from his influential professorship.

After his departure for the government, Salazar was replaced in his teaching duties by João Pinto da Costa Leite. The latter also enjoyed an ephemeral academic career at the Faculty of Law of the University of Coimbra. He was recruited as Secretary of State for Finance in 1934 and later served as the Minister for more than 20 years, always benefitting from Salazar's special personal and political confidence.² It is also interesting to note that, like Salazar, Costa Leite showed an early appetite for an innovative academic career that ended up lacking continuity.

During his short professorship in Coimbra, Costa Leite published one of the most important books of economic theory written in Portugal in the first half of the twentieth century (Leite, 1933). This book corresponded to the dissertation that he presented to the Faculty of Law of the University of Coimbra in 1933 as part of his application for a full professorship. Although he does not make any original contribution to the theoretical production of that time, his work nonetheless amounts to an excellent survey of the main approaches developed by economic science with the aim of interpreting business cycles and economic fluctuations. The prominence that Costa Leite's book undoubtedly deserves was not granted to it at the time, due to the lack of theoretical reflection that characterized the university environment where a book of this type might be discussed (Cardoso, 2012).

Costa Leite expounds the monetary theory of crises developed by [Ralph Hawtrey \(1928\)](#), considering the explanation of the business cycle through merely monetary factors to be an inadequate one, namely any explanation that is based on the commitment of national currencies to the gold-standard system, or on the interpretation of the phases of prosperity and depression as mere outcomes of the ease or difficulty of obtaining credit in the banking market. It therefore seemed to him to be more suitable to adopt the explanation put forward by John Maynard Keynes (1930), for whom the deficient functioning of the international payment or credit systems did not imply a denial of the importance of real factors for explaining crises. Costa Leite accepts Keynes' interpretation of the fact that inflation does not depend on the amount of money in circulation, but instead on the relationship between the quantity of goods demanded in the market and the availability of such goods as a result of investment decisions.

At the end of the book, Costa Leite makes a summary of his research and highlights the importance of Joseph Schumpeter's theory of economic development ([Schumpeter, 1911](#)) and the role played by the entrepreneur in the permanent discovery of new opportunities through innovative procedures. Costa Leite's encounter with the works of Ralph Hawtrey, Friedrich von Hayek, John Maynard Keynes, and Joseph Schumpeter, among other crucial names for the development of economic science in the twentieth century, is fairly revealing of the modernity and relevance of the references made by the Portuguese author.

Although it did not have the scope and ambition of the book published later by Gottfried [Haberler \(1937\)](#) Costa Leite's book had already followed a similar path. Both authors were motivated by the same concern to create an explanatory consensus based on the acceptance of the validity of a range of narratives on the causes and effects of economic crises. For this reason, there is undeniable merit in the work of Costa Leite, especially if we bear in mind that he wrote in an academic environment that was relatively weak in terms of its capacity to stimulate theoretical thinking. Unfortunately, Costa Leite did not continue with this type of incursion into the terrain of economic theory and left the University of Coimbra to become a trusted member of Salazar's cabinet. This option for a political career was reinforced by a strong ideological commitment: the defence of corporatism as a social and political doctrine that guided the authoritarian policies of the New State.

Costa Leite's successor in teaching political economy and public finance at the Faculty of Law of the University of Coimbra was José J. Teixeira Ribeiro. In his doctoral dissertation on the theory of monopolies ([Ribeiro, 1934](#)), Teixeira Ribeiro adopts a conventional microeconomic approach to the problem of price formation in a monopoly market. To do this, he relies on the typology of identifying the equilibrium conditions between supply and demand, between costs and prices, for each type of market (perfect competition, monopoly, and imperfect competition). His work displays updated knowledge on the subject and signals an effort to modernize the approach to theoretical problems in economics that would only be consolidated in the late 1940s in another university environment.

This time, the presence of the new Professor of Political Economy and Public Finance was stable and prolonged (until 1974). But the promising nature of this

incursion into the realms of economic theory had a similar outcome to the one previously experienced by Salazar and Costa Leite: his initial theoretical drive and motivation was abandoned in favor of an analytical dedication to the legal and economic foundations of the doctrine of corporatism and its impact in the political field.

3. THE IDEOLOGICAL BUILDING OF THE CORPORATIST REGIME

Looking at the analytical and doctrinal production of the main Professors of Political Economy and Public Finance of the Faculties of Law of Coimbra and Lisbon, we find that one of the most fertile and original approaches to subjects related to the economic and social order was undoubtedly the political economy of corporatism.³ For its main mentors and ideologues, the corporatist organization of society was expected to achieve goals of social harmony and equilibrium, entrusting the state with a primary role in leading the whole process, in order to effectively control economic and social life. Therefore, the institutionalization of the New State respected the essence of the corporatist doctrine based on the subjection of the individual to the superior interests of the nation, with the main aim of safeguarding social order and political stability.⁴

The incentive for the creation of corporations embodied a logic of social and economic organization in which the realization of the general interest was previously measured by harmonizing the interests of the different agents and groups of agents operating in a market overseen by the state. The fixing of prices, the entry of new firms into the market, the regulation of working conditions, the determination of wage levels, the analysis of production costs and, generally speaking, all operations that involved the use of economic calculation, which, under a system of free competition, represent elementary procedures in the choices that can be made within the context of a scarcity of available resources – that is the typical framework for the decision-making of the *homo economicus* enshrined in the neoclassical economic literature — all these features would be the privileged area for the corporations and the employers' federative organizations (guilds) to decide upon. The guilds would afford corporations greater national representativeness and, above all, provide a horizontal control of the activities associated with a particular product (wheat, rice, olive-oil, wool and wine, to mention just the main ones).

As staunch opponents of *laissez-faire*, some of the ideologists of corporatism extolled the notion of a self-directed economy, which did, however, have nothing to do with the mechanisms leading to the spontaneous equilibrium of the market that were so much to the liking of neoclassical economics. The following excerpt from Teixeira Ribeiro clearly illustrates this distinction:

Corporations therefore collaborate in the performance of a normative role. And this is why the activities of individuals and companies are now subjected to a form of discipline or, better still, are conditioned by certain initial positions that are implied by this discipline.

We are far removed from automatic equilibrium: instead of this, we have a directed economy. But, in this case, such control does not belong directly to the state, for it is the industries

that, through their corporation, take the initiative of drawing up the rules and regulations. Afterwards, it is the task of the government, as the representative of the national interest, to decide upon these rules in the last instance, either approving them or rejecting them. Now, since the industries collaborate in their own discipline, it is said that we have instead a *self-directed economy*. (Ribeiro, 1939, pp. 61–62)

According to corporatist guidelines, the activities of individuals and business firms were conditioned or submitted to disciplinary norms established by the corporations that supposedly framed such activities. The direction of economic organization was not imposed from above, but assumed by the agents who were naturally involved in the decision-making processes of corporatist bodies, with the state being responsible for the overall surveillance of the entire economic process.

It should be noted, however, that the self-directed economy did not fail to contemplate a major involvement of the state, especially at the founding moment of the corporatist organization. There would then be a progressive slowdown and a gradual diminishing of state intervention, preventing the system from approaching the central planning economies of the socialist regimes, even if only at the formal level.

From this perspective constructed by Teixeira Ribeiro, the idea arises that the corporatist model sought to impose itself as a sort of “third way” between a disruptive liberal capitalism and an oppressive state socialism that ran counter to the ideas of free will and private property. In a sense, it is this same idea that we find in the following words of Salazar:

We want to move to a *new economy*, working in harmony with human nature, under the authority of a strong state that defends the nation's superior interests, its wealth and its work, against both capitalist excesses and destructive Bolshevism. (Salazar, 1933, p. 15).

But the fundamental problem of studying this corporatist model lies in ascertaining its practical feasibility and operationalization. In addressing this issue, it is difficult to assume that the programmatic guidelines outlined by its main mentors were successful. The Spanish Civil War and the outbreak of the Second World War seem to have been exceedingly strong constraints that imposed a postponement of the corporatist project. Nevertheless, such external circumstances were not enough to mitigate the centralism, *dirigisme* and bureaucratic network that the state imposed on the functioning of an economy lacking corporate responsibility, rational business organization, and the spirit of entrepreneurship, initiative, and risk.

The policy of “industrial conditioning,” which imposed severe restrictions on the creation of industrial firms, provided a clear demonstration of the power of complex and bureaucratic processes, leading to the installation of new production units in protected sectors that were not subject to market rules and free competition. Therefore, it became evident that the prospect of an allegedly self-directed corporatist economy was nothing more than a simulacrum of the all-powerful controlling state. Marcello Caetano (1950) recognized this in a very straightforward way:

Portugal is a corporatist state in intent – not *de facto*. The most that can be said is that we have a union-corporatist-based state, or a tendency towards a corporatist regime, but not a corporatist state. (p. 12)

It was precisely this failure to achieve corporatism as a coherent system that rendered the institutional structure of the *Estado Novo* unable to adequately satisfy the demands of free individual initiative, imposing severe restrictions on the exercise of elementary civil liberties, particularly in economic matters. Its scope was limited to the defence and preservation of the interests of traditional economic and social groups, which felt perfectly suited to a regime that depended on them and that promoted the purpose of their action. Thus, the weak competitiveness of the Portuguese economy was compensated by measures of agricultural, industrial, and commercial protectionism, making the state a key factor in the conservation and reproduction of a weak economic structure.

One can always question whether the pace of economic growth in Portugal in the 1930s and 1940s (given the reduced impact of the effects of the Great Depression and the Second World War) would have been more pronounced if economic and political institutions had been different. Since such a speculative question cannot be convincingly answered, we are led to acknowledge that the institutional setting of corporatism has served to protect and accommodate interests that were based on the benefits of an authoritarian regime, which was not only detrimental to individual freedom at a civic and political level, but also extremely harmful to the prospect of the basic civil rights of the workers' associations.⁵

In the new post-war context, the corporatist ideology ceased to have any international repercussions or acceptance, even meeting with the opposition of voices denouncing the totalitarian and dictatorial nature of the political regimes that corporatism had served. Consequently, the recognition of its failure was an additional stimulus to put forward new approaches to the crucial issue that corporatism sought to respond to, namely harmony and cohesion in a society permanently controlled by the state.

This explains the motivations and intentions of a new wave of defenders of corporatism, who began to express their views from the beginning of the 1950s onwards. This second corporatist period was dominated by the idea and desire to create a new Portuguese corporatist school; whose doctrinal references were largely different from those of the previous period. The ideologues of Italian and Southern European fascism (especially Ugo Spirito and Mihail Manoilescu) were now replaced by the tradition of social Catholicism and papal encyclicals and by the recovery of the French corporatist influence, especially the ideas of François Perroux and his vision of working communities (Perroux, 1938). Therefore, there were other sources of doctrinal inspiration and other currents of thought that contributed to the formulation of the corporatist ideology in post-war Portugal.

The reflections of this new generation of corporatist authors were aimed at adapting the corporatist ideas to the new times, devaluing their presumed vocation for social and economic regulation at a macrolevel and favoring topics such as state interventionism and, above all, the problem of the reform of business administration. For them, the important thing was the establishment of a new system of human relations in an entrepreneurial environment that would not be characterized by the antagonism between profits and wages, but by the

solidarity between complementary and convergent interests and purposes. What really mattered was not so much the legal creation of corporations, nor the militant appeal for the realization of an abstract ideal of cooperation and solidarity, but rather the recognition of the importance of a system of responsibility, initiative, and collaboration on the part of the various participants in the productive process; that is, the effective implementation within the firm of the purposes that had always underlain the design of corporatist institutions.⁶ By doing so, they were also attempting to solve one of the main shortcomings of the authoritarian regime, relating to the restrictions and repression imposed on the workers' organizations, which the first corporatist generation had been unable to prevent.

From this brief digression through the main features of the economic and social doctrine of Portuguese corporatism, as well as the substantial differences between the authors of the 1930s and the 1950s, it is clear that there was a strong institutional constraint on the performance of the Portuguese economy over the period under review. The fact that the corporatist model did not succeed according to the intentions of its mentors during the 1930s and 1940s does not preclude the recognition that it served to frame and legitimize a process of restricted economic growth, always protected by the policies of state regulation. The New State never stopped trying to promote and encourage the creation of an institutional model that was supposed to configure a third way of organizing and developing economic life.

Since not everything went as planned, a fresh infusion of corporatism was developed from the 1950s onwards, this time with a purpose that did not require changes in the macroinstitutional framework, but instead promoted a set of reforms in human and professional relations at the microlevel of the firm, reinforcing the capacity to realize the common good.

On both occasions, the belief in the virtues of harmony and the reconciliation of interests provided an important ideological backing for the consolidation of the conditions supporting the political regime. However, irrespective of the known restrictions on individual freedom, those conditions were adjusted to the objectives of economic growth, with results that proved to be in line with, or even higher than, the average for European countries, which naturally contributed to a gradual process of convergence of Portuguese living standards in relation to the European indicators.

However, the new corporatist wave brought with it critical elements that required a new awareness of the reasons for the Portuguese economic and social backwardness and of the "regrettable indicators that characterise us" (Nunes, 1968, p. 260), regarding living standards in areas such as food, health and housing, which were particularly alarming compared to the values recorded in other European countries. And it was also this new wave that pointed to some ways of transforming and modernizing Portuguese society through "the replacement of economic, social and institutional structures that constrain or distort the development process by other institutions that foster or guide us in the direction of progress" (Nunes, 1968, p. 270).

4. ECONOMIC GROWTH IN THE POST-WAR PERIOD. THE ROLE OF ENGINEERS

Portugal had no direct participation in the Second World War and did not suffer the harmful effects of the destruction experienced by the major world powers. But the process of industrialization in the country was insufficient, and if there were any successes (particularly in the cement, glass, machine, and electrical industries), they were certainly due to the inertia effects of the traditional protectionist framework and the protective regime of industrial conditioning. Thus, at the beginning of the 1940s, Portuguese industry remained largely dependent on imports of energy resources, equipment, machinery and intermediate goods, suffering the inevitable negative consequences of the outbreak of war, with its interruption to regular supplies, the consequent incapacity to maintain an efficient transport system and the sharp fall in international demand.

Besides the broad effects of the war economy that could not be avoided, Portugal also experienced the unexpected results of a capital flow (remittances and capital returns) that worsened inflationary trends in a country that had become accustomed to living with monetary and financial stability. The inevitable increase in internal and external tensions created an excellent pretext for a renewal of theoretical and political reflection on economic issues, placing special emphasis on the fragility of the industrialization processes and pointing out new paths that would allow Portugal to keep pace with the economic growth that, once the war was over, Europe would begin to experience.

In this new post-war context, the role played by the new actors and protagonists contributed to deeper reflection and more determined decision-making on economic policy matters. The role traditionally played by civil servants and politicians educated at the Faculties of Law of the Universities of Lisbon and Coimbra was now also performed by new professional groups trained at the Institutes of Engineering and Economic and Financial Sciences of the Technical University of Lisbon.

The decisive steps that highlight the important role played by the thought and action of engineers in Portuguese political life were taken by Ferreira Dias, an engineer by profession, but a politician by vocation, who fulfilled an important mandate as a member of the government on two separate occasions: as the Secretary of State for Trade and Industry between 1940 and 1944, and as the Minister of Economic Affairs between 1958 and 1962. Notwithstanding his political commitment, it was mainly through his technical and professional career as an engineer interested in modernizing the industrial production and energy sectors that Ferreira Dias acquired the knowledge and sensitivity indispensable for the fulfillment of a modernizing economic program. His leadership of various economic, political, and business organizations and institutions brought him into close contact with the real problems of the Portuguese economy and provided him with the fundamental knowledge required for the design of development policies.

During the long period of his technical and political career, 1945 proved to be a particularly symbolic year, in that it marked the publication of his doctrinal

work in defence of a new *Linha de Rumo* (Direction Line) for Portugal (Dias, 1945), and also the publication of the new Law for Industrial Promotion and Reorganization, of which José Ferreira Dias was the main mentor and inspirer.

The book is highly illustrative of Ferreira Dias's pragmatism, showing his clear preference for an approach to economic problems centered on a technical perspective of maximizing the allocation of available resources and the potential offered by new methods of energy production. These facets of his work demonstrate some distance in relation to the abstract concepts of economic theory and also, of course, some reluctance in accepting corporatist doctrines. His language is that of a technocrat, engineer, and manager who anticipated entrepreneurial solutions with a view to the modernization of the country, for which industrialization and electrification would be the main instruments. He was also a critic of the heavy regulation imposed by industrial conditioning, which limited the scope and action of the technology that was the main guarantee of economic growth and progress.

In the same vein, the 1945 Law for Industrial Promotion and Reorganization should be interpreted as representing a new and more solid pillar of support for Portuguese industrial policy, overcoming the precarious bases of customs protectionism and the bureaucratic procedures of the industrial conditioning regime. This law represented a turning point in industrial policy, enabling Portugal to propose strategic measures leading toward sustained economic growth. Engineers played a decisive role in defining such a strategy and in deepening a scientific and technical culture that was indispensable for economic planning and administration. The *Planos de Fomento* (Development Plans) conceived and implemented until the end of the 1960s embody and clearly express the continuity and consistency of the guidelines drawn up in the post-war context.

By identifying the priority sectors for intervention, the Development Plans provided a broader vision of the necessary coordination and articulation of sectoral policies, which was also extended to the social dimension of economic development policies, especially in the areas of employment and social protection. In this sense, they registered as general objectives and quantified targets both a concern with the growth of the product and total factor productivity and an improvement in the balance of trade and the balance of payments, as well as the guarantee of full employment and an improvement in living standards. They also introduced a less imperative and less authoritarian attitude toward the different forms of direct state intervention in the economy, benefiting from the climate of openness necessarily favored and implied by Portugal's participation in international organizations – from the negotiations under the 1948 Marshall Plan for Europe to the country's accession to the European Free Trade Association (EFTA) in 1959 and its membership of the International Monetary Fund and the World Bank in 1961. This is particularly relevant for the period that began in the 1960s, but it is also important to point out the importance of the direct antecedents that led to the beginning of the “golden period” of Portuguese economic growth. Indeed, the period from 1960 to 1973 saw a marked increase in GDP per capita (annual average growth of 6.7%), which enabled Portugal to converge

toward, and surpass, the average growth rates of the main European economies of the Western world (annual average growth of 4%).⁷

5. THE ROLE AND AGENCY OF ECONOMISTS

In addition to the decisive contribution made by engineers to the development of the Portuguese economy in the post-war period, especially as far as industrial policy was concerned, an extremely important role was also played by another group that had hitherto been less involved in political decision-making processes. Indeed, the increasing professionalism and complexity of economic and financial matters called for an ever more significant intervention of players with specific training in these areas of knowledge. In this sense, more detailed attention needs to be paid to the emergence of economists as the central agents of the ongoing changes in the Portuguese economy.

After its creation in 1931, the Institute of Economic and Financial Sciences of the Technical University of Lisbon (ISCEF) maintained a strong tradition of teaching legal, mathematical, technological, and accounting matters that it had inherited from its predecessor, namely the Institute of Commerce founded in 1911. The syllabus was organized into four sections, corresponding in practice to four areas of specialization: customs, diplomatic and consular affairs, finance, and business administration. Although the compulsory disciplines of economics and finance were the only ones common to the four sections, their reduced importance in the curriculum structure hardly justified the establishment of a formal correspondence between the name of the school and the actual teaching contents.

In a general assessment, the essentially practical and professional nature of an ISCEF education should be emphasized, with its notable inclusion of laboratory work and commercial office classes, in environments that recreated or simulated the workplaces of future graduates. However, the richness of this professional training had as its counterpart the theoretical fragility of the background acquired by graduates in economics and finance, taking into account the curricular normalization of university courses that was already to be found in these areas in other countries.

The modernization of ISCEF, which was to dictate its definitive hegemony in the field of university education in economics, finance, and business administration, would only take place after the curricular reform that began in 1949, in which António M. Pinto Barbosa played a leading role. It was due to him that a profound change occurred in the way of teaching economic theory through the introduction of an approach that used a diagrammatic and algebraic language, typical of modern textbooks in the field. The theoretical inspiration was now clearly Marshallian microeconomics (consumer and producer theory), with the incorporation of several innovations that have since enriched it (e.g., monopolistic and imperfect competition theories) and, albeit marginally, some influence of the new macroeconomics devoted to the study of national income. ISCEF now had a modernized syllabus, in which references to the heterodox and critical currents of the neoclassical tradition (Barbosa, 1943) gradually lost their importance.

The crucial meaning of the 1949 reform was that it positioned economic science as a core element in the curricular structure of ISCEF courses and removed the corporatist doctrine from the training matrix of agents involved in economic policy matters. For economists trained in this innovative university environment, there was an implicit notion that corporatism was no more than an ideological appeal without any significant impact, and that economic sectors functioned independently from the somewhat rigid structure of corporations.

For the accomplishment of this important curricular reform, the support provided by the students and disciples who worked closely with António M. Pinto Barbosa was fundamental. The three assistants with teaching responsibilities who accompanied him were Francisco Pereira de Moura, Manuel Jacinto Nunes, and Luís Teixeira Pinto. Without their involvement, the results of the 1949 reform leading to the modernization of the teaching of economics would not have been achieved. The reason is easy to understand. Less than one year after the publication of the new ISCEF statutes of 1949, António M. Pinto Barbosa was appointed as Secretary of State for the Treasury. It is true that the formal abandonment of university life did not mean that he remained aloof to the scientific and pedagogical path taken by ISCEF, either immediately after the 1949 reform or at other times when his responsibilities at the Ministry of Finance and the Bank of Portugal were incompatible with the exercise of his academic vocation. Barbosa always remained in close contact with his students and colleagues. However, there seems to be no doubt that the collaboration and mutual support of his three direct followers were decisive factors in ensuring the successful modernization of the teaching of economics at ISCEF.

Indeed, it was through the work mainly carried out by Pereira de Moura, Jacinto Nunes and Teixeira Pinto that the new directions in the teaching of economic theory at ISCEF were able to exceed the guidelines outlined in the initial reform project. In other words, the disciples matched up to their master by innovating and creating new teaching contents, especially in short-term and long-term macroeconomic matters, for which they showed great receptivity to the innovative message introduced by Keynesian theory.

In addition to the works that they wrote individually, these three economists jointly authored a book (Moura, Nunes, & Pinto, 1954) which represents a turning point in the knowledge of the main sectors of the Portuguese economy (agriculture, industry, and foreign trade). Although the treatment of theoretical issues is not particularly detailed in this book (they gave more thorough accounts in other texts that they wrote individually and in the preparation of their doctoral dissertations), the study reveals a minimal treatment of some macroeconomic aggregates, especially in the analysis of the components of income and its distribution. The main merits lie in the meticulous use of the available statistical data, enabling the formation of a quantified knowledge of the structures of production (especially in the industrial sectors, whose development they sought to encourage) and foreign trade.

A new style was thus inaugurated, one that, above all, reflected a new attitude of investigation applied to the Portuguese economic reality. The 1949 curriculum reform was beginning to bear fruit and consequently to demonstrate that a new

era was opening up for the study of economics and finance in Portugal. The main mentor of this reform, António M. Pinto Barbosa, was to gain a prominent position in central political decision-making, both at the Ministry of Finance and the Bank of Portugal, and was therefore able to recruit qualified economists from the academic milieu to perform duties of great responsibility in the implementation of fiscal and monetary policies.

Therefore, it is not redundant to say that it was from this university reform of 1949 onwards that full recognition was given to the technical and political capacities of the professionals in these scientific domains. And it also became possible to demonstrate that some economists with responsibilities in university life and in the implementation of economic policies were now capable of thinking about the problems of economic growth and development in a way that did not merely serve to legitimize the authoritarian nature of the existing political regime.

6. THE KEYNESIAN INFLUENCE

The reduced influence of neoclassical economics in Portugal gave rise to an apparently paradoxical situation regarding the assimilation of the Keynesian message from the end of the 1930s onwards. The insufficient theoretical training of Portuguese economists created serious obstacles to their understanding of a new language that was revolutionizing the traditional way of thinking about economic problems. However, the obstacles to understanding the analytical reasoning of John Maynard Keynes' work did not prevent the manifestation of ideological and doctrinal sympathy for some kind of state intervention in economic life. The fact that there was no pressing need to criticize or counter the ideas against which Keynes had declared theoretical and political war (i.e., mainstream neoclassical economics) made it unnecessary to go deeper into the assimilation of the new paradigm. Corporatist doctrinaires achieved the same goals through means that seemed to them more effective, which does not invalidate the recognition of a certain convergence between corporatism and the Keynesian economic doctrine through a slight sharing of views about the unsatisfactory functioning of market forces and about the strategic role of the state in directing economic life.

Economic policy was largely conditioned by the small size of the Portuguese economy and, in general, by a situation of relative economic backwardness due mainly to the heavy share of the agricultural sector, the somewhat primitive character of the financial markets and the almost total absence of unemployment. In other words, it was the very nature of the Portuguese economy, throughout the 1930s and 1940s, that made Keynesian policies unnecessary.

But it should also be noted that the Keynesian views on the problems of economic disequilibrium, the unpredictability and unstable nature of economic life, the precariousness of decision processes that were subject to evaluations dictated by emotional behavior, or the contingency of the expectations and state of confidence of economic agents, were quite out of keeping with the set of morals

inspired by the corporatist organic system or the conformist ethics of the *homo corporativus*. The prevailing economic policy guidelines of the *Estado Novo* acquired the status of dogmas that it was difficult to contradict: the balanced budget, the orderly behavior of consumers, the exaltation of the virtues of moderation and saving, the intransigent defence of internal and external currency stability (to avoid inflationary tensions), the conservation and increase of gold reserves, the belief in a mythical regime of full employment, and an integrated labor market thanks to the social benefits of the corporations system. All this represented precisely the opposite of Keynes' world; all this demonstrated, in short, the lack of opportunity for the triumphant introduction of Keynesian economic policy in Portugal (Almodovar & Cardoso, 2005).

However, although it was weak and scarcely heard, the Keynesian voice began to be heeded in Portugal with some attention from the end of the 1940s onwards, mainly through the introduction of Keynesian theoretical analysis into the academic studies of the above-mentioned beneficiaries and executors of the 1949 reform: Pereira de Moura, Jacinto Nunes, and Teixeira Pinto. Later on, in 1955, when Pinto Barbosa became the Minister of Finance, it could be clearly heard at the departments and services responsible for implementing economic and financial policies, where a more systematic use was made of statistical data and national accounts, employing macroeconomic variables that belonged to the analytical framework produced by the Keynesian lexicon. However, it should be pointed out that the recognition of these elements did not go beyond the mere conceptual representation of economic life and did not constitute a significant change in the customary declarations of fidelity to the traditional orthodoxy in matters of public finance.

It is important to point out that the reception of Keynesianism took place at a time when the *Estado Novo* was seeking to define a new strategy aimed at promoting stronger economic growth, albeit within the national framework of a relatively closed economy. Although it could not be used fully as a guide to the strategy of modernization and economic progress, it left indelible marks and influences. The summoning of economists to perform the most demanding technical advisory roles was central to the negotiations on US aid to European reconstruction established through the Marshall Plan. Although Portugal refused to accept external aid in the first year of the plan's implementation (1948), it participated as a founding member of the Organisation for European Economic Cooperation (OEEC) and the European Payments Union, which had the authority to administer the American aid program.

The involvement of the Portuguese technical delegations in the negotiation processes relating to foreign aid and European integration was crucial for the modernization of the economic and financial administration, as well as for the learning of the instruments and languages of international cooperation, especially the use and comparison of statistical data and national accounting systems. It also demonstrated that, in a political environment still dominated by minds that were not receptive to the advantages of open economic systems, it was possible to build forms of resistance and change that undermined the foundations and stability of the regime.

The integration option offered by EFTA turned out to be very beneficial for Portugal. The weight of the colonial markets and the need not to disturb the stability of social and political balances between representatives of the interests of both the agricultural and industrial sectors were the factors that influenced the choice of alignments within the European framework. The Portuguese convergence effort required the favorable conditions and incentives that were guaranteed by EFTA under preferential conditions, enabling the creation of a new dynamics of modernization and growth in the production and trade sectors of the Portuguese economy, which were heavily dependent on the country's relations with Europe.

This concern with the central theme of economic development led some economists to adhere to the theses defended and applied in other geographical areas where they were particularly opportune: the theories and development policies of the United Nations Economic Commission for Latin America and the Caribbean (ECLA). Apparently, the chances of such a developmentalist view being welcomed in a country on the European periphery seemed scarce. But it was the eagerness to break down factors of isolation and to promote industrial policies that would guarantee a faster and more improved process of economic growth and social welfare that motivated this unexpected appropriation of ECLA's message (Bastien & Cardoso, 2003).

7. CONCLUDING REMARKS

This chapter has sought to illustrate the role played by different generations of Portuguese economists who were active throughout the authoritarian regime of the *Estado Novo* (New State), between 1926 and 1974. Many of them served the regime as ideologues and mentors, while a significant number of professional economists successfully managed to create an alternative to the conventional neo-classical theory and doctrine.

Corporatist economists faithful to Salazar's rule, with a background education in law schools, produced a rationale that attributed a major economic role to government. However, a similar demand for state economic intervention was also put forward by engineers and economists, motivated by the pragmatic purposes of catching up with and emulating the developed economies and inspired by other streams of economic thought, including Keynesian macroeconomics. Though informed by different ideological and philosophical presuppositions, these streams of thought shared the same strong criticism of the neoclassical notion of a market equilibrium achieved through the actions of a purely spontaneous mechanism. Therefore, the notion of market failure and the need to ensure a feasible social and economic order were at the very heart of the arguments developed by a second wave of both neo-corporatists and Keynesians, seeking to justify the economic role of government.

The tacit acceptance of Keynesian arguments by the political leaders of Salazar's regime paved the way for the emergence of authorized voices of dissent. It is precisely this convergence that helps to explain the relevance of economists

as a group of acknowledged experts and special agents with a key role in the post-war discussion of issues relating to social policy, economic development, and the possibilities of (and constraints upon) the building of the welfare state under an authoritarian regime.

NOTES

1. Among the numerous studies on fascism viewed from a comparative perspective, due to their systematic and comprehensive nature, see, above all, [Payne \(1995\)](#), [Paxton \(2004\)](#), [Pinto \(2011\)](#), and [Griffin \(2018\)](#).

2. Costa Leite was known by his surname Lumbrals. He was the author most frequently to be mentioned in the daily agendas of Salazar. After leaving the government in 1955, he continued his academic career at the Faculty of Law of the University of Lisbon until 1974.

3. See, above all, [Salazar \(1933, 1938\)](#), [Caetano \(1938, 1950\)](#), [Leite \(1936\)](#), and [Ribeiro \(1939\)](#).

4. The main doctrinal and political influences came from Italian corporatist and fascist literature, most notably the works of [Gino Arias \(1934\)](#) and [Ugo Spirito \(1934\)](#), with the latter's writing being translated into Portuguese. Also translated was one of the most outstanding works of European corporatist ideas ([Manoilescu, 1936](#)). On the corporate doctrine and its diffusion and development in Portugal, see [Bastien and Cardoso \(2004, 2006\)](#). For a synthetic approach to the political, economic, social, and cultural history of this period, see [Cardoso \(2014\)](#).

5. This interpretation has been emphasised by Portuguese historiography, especially by Fernando Rosas. For a summary presentation, see [Rosas \(2012\)](#).

6. The most relevant author was Adérito Sedas Nunes, the founder of modern sociology in Portugal, with several articles produced in the 1950s and later collected together in [Nunes \(1968\)](#).

7. For an overview of the evolution of the Portuguese economy in the twentieth century and the sharp growth experienced throughout the period 1960–1973, see [Lains \(2003\)](#) and [Lopes \(2004\)](#).

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CHAPTER 3

STALIN'S PLURALISM: HOW ANTI-DOGMATISM SERVES TYRANNY

Till Düppe and Sarah Joly-Simard

ABSTRACT

When Stalin, in 1936, declared socialism achieved in the Soviet Union, he opened the door for the codification of the political economy of socialism beyond Marx's political economy of capitalism. Indeed, at the same time as he executed the tyrannical policies he is known for, he led a series of private conversations with economists about a textbook on the political economy of socialism that spanned nearly 20 years. In these conversations, Stalin repeatedly argued for an open debate and against dogmatism. Most notably, he accepted the existence of the so-called law of value in socialism, which appears to subject the state to scientific authority. Reconstructing these conversations, we show that his claim to a pluralist scientific debate helped paper over his tyranny, first by diverting attention from the real issues, second by establishing his personal authority as an intellectual, and third by creating conflicts that would exclude his opponents.

Keywords: Political economy of socialism; pluralism; law of value; abstraction; economic intellectualism; Marxism-Leninism-Stalinism

If you search for the answer to everything in Marx, you'll get off track. In the USSR, you have a laboratory that has existed for more than 20 years, and you think that Marx should know more than you do in socialism. [...] You need to work with your own heads and not string together quotations. (Stalin 1941, in [Pollock, 2001](#), p. 23)

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STALIN'S SOCIALISM

In November 1936, after eight years of reign, Stalin declared socialism constitutionally achieved. “The experiment of forming a multi-national state based on Socialism has been completely successful” (Stalin, 1936, p. 805). For many in the Soviet Union, however, this was not a moment of celebration. The goals of Stalin’s first Five-Year Plans lay all burdens on industrialization, and left the population in the countryside in poverty. The goals of the plan had been impossible to achieve. Moreover, soon after this declaration, the Soviet people suffered from what became known as the Great Purge, when one and a half million people were arrested for political reasons, half of them executed, and many of them sent to gulags (Harris, 2017; Khlevniuk & Nordlander, 2004). Stalin consolidated his personal power by conspiring against and eliminating political enemies as well as allies in his inner circle. Among the victims of this purge was the well-known economist Nikolai Bukharin. After Stalin published Lenin’s critical notes on one of his books, Bukharin underwent a show trial in 1937 ending in execution, which, as Stalin said to his old friend, was “nothing against you personally” (Gregory, 2003, p. 18). Following the declaration of achieved socialism, Stalin became the dictator of a society of fear.

Although the moment seems unlikely, Stalin’s declaration was also the moment when he chose to launch an internal debate about a discipline that justified the very *raison d’être* of the socialist state: the political economy of socialism. Beyond the political economy of capitalism of Marx, Engels, and Lenin, Stalin wished to add his share to this tradition by developing the political economy of socialism as a scientific discipline. In 1937, the Central Committee (CC) officially asked for two versions of a textbook on the subject, one introductory and one advanced, to be drafted by two recognized authors of the field, Lev Leontiev and Konstantin Ostrovitianov (Pollock, 2001, p. 14).¹ Over a process of nearly 20 years, in a collective effort beginning in small groups of economists and ultimately including almost the entirety of the Soviet intelligentsia, Stalin discussed the drafts of this textbook. While only little has reached the public, the intensity, and character of the debate can be reconstructed in detail thanks to the opening of the archives after 1991.²

The intellectual challenge of the project was considerable, torn between two, for Stalin, unacceptable positions. By declaring socialism achieved, Stalin also proclaimed class conflict to be over, which was for many Marxists a condition of the possibility of political economy. In this case, Marxian discourse would be limited to the critique of capitalism, but replaced by another discourse in socialism. Economic planning would be left to technocrats without political control over them. In this vein, Bukharin and Yevgeni Preobrazhensky (1922) famously argued for the disappearance of political economy:

As soon as we have to deal with an organized national economy, all the basic problems of political economy such as value, price, profit, etc., simply disappear. Here “relations between men” are no longer expressed as “relations between things,” for here the economy is regulated not by the blind forces of the market and competition, but by the consciously carried out plan The end of capitalist and commodity society signifies the end of political economy. (cited in Kaufman, 1953, p. 245)

The second model of the political economy of socialism was to stick to the notion of the party representing truth by virtue of being the communist party. This would lead to a voluntarist notion of economic policy, which means that the party would create the very economic base, and thus would be held responsible for all states of the economy without any epistemic backup. In both cases, Stalin could not have established himself as an *intellectual* in the heritage of Marx, Engels, and Lenin. Therefore, he took a position in between by acknowledging, since the first meeting with economists in 1941, the persistence of economic laws in socialism as they already exist in capitalism (think for example of the law of the falling rate of profit). This made possible the continued existence of Marxist categories in the Soviet Union, the leading role of the discourse of political economy, *and* the party's appeal to science. Stalin appealed to the scientific spirit already in the very first meeting in 1941:

The language of propaganda leaflets and posters appear out of nowhere into the textbook. This will not do. An economist should study facts The propaganda should be tossed out. Political economy is serious work. [...] In science we appeal to the mind. But here the appeal is to the gut or to something else. This ruins the work. (Stalin 1941–1952, in Pollock, 2001, pp. 17–18)

The law-like character of socialism is at the heart of the sequence of the private conversations with Stalin about the political economy of socialism that took place in Stalin's Kremlin office between 1941 and 1952. After the first took place in 1941, its contents became public in an anonymous article published in 1943. The meetings resumed in 1950. In Stalin's absence, an advanced draft of the textbook was subject to a large conference in 1951, followed by the publication of Stalin's *Remarks* on this conference (1952), a last meeting, and the publication of the textbook itself after his death (1954).

This chapter explores the nature of this intellectual debate led by Stalin. We argue that his appeal to an open, non-dogmatic, and pluralist debate as well as his appeal to scientific laws was strategic in three ways.³ First, Stalin embraced the law since it kept the debate *abstract*, if not mysterious, merely alluding to concrete consequences for economic policy. This abstraction allowed Stalin to continue his industrialist policies that were in fact unrelated to any reasoning. In addition, the existence of economic laws in socialism appeared to subject Stalin's policies to scientific rationality. However, these laws also *relieved* his responsibility for the consequences of his policies since they appeared as historical necessity. Third, supporting scientific pluralism allowed Stalin to generate *division* and to present himself as an intellectual who solved debates which otherwise would have appeared as imposing a judgment. The existence of a pluralist scientific debate helped create the image of Stalin as a leading intellectual.⁴ This image both diluted *and* elevated the personal cult around him as a dictator. The strategic nature of Stalin's pluralism is evident from his treatment of those who challenged these objectives: *exclusion* from the debate. This happened not only to Bukharin in 1927 as already mentioned, but also to Nikolai A. Voznesenskii in 1949, and to Luka D. Yaroshenko in 1952.

Be they intended or not, these discursive features were “strategic” in the sense that they show how totalitarian interests can be fertile ground for scientific pluralism to emerge. By means of abstraction, relieving responsibility, and division, Stalin managed to establish one basic imperative of any regime that calls itself socialist: in contrast to capitalism dominated by bourgeois ideology (as well as in contrast to National Socialism, where science is subject to the force of will), socialism is a *scientific* undertaking. And since the economic base, in a Marxist world, is deemed the very origin of ideology, the scientific treatment of the economy was essential to the very *raison d’être* of the Soviet state. The establishment of the discourse of the political economy of socialism under Stalin is thus a telling episode for understanding how economic intellectualism can help legitimize the most totalitarian regime.

THE FIRST CONVERSATIONS

The first meeting took place January 29, 1941, during one and a half hours in the afternoon. Two drafts of the textbook were discussed, an introductory and an advanced version. The basic contents of the book had been decided since the beginning: it was divided into three parts, pre-capitalist, capitalist, and socialist. While the first two parts were based on Marx’s writings, the third part was divided into three chapters. The first of those chapters dealt with the transitional period, which was described, *post facto*, by socialist industrialization, the collectivization of agriculture, and the victory of socialism in the USSR. It followed the chapter on the political economy of socialism that addresses questions of ownership, wages, production, and the reproduction of the system. It was this chapter that was specifically open to debate. The book was to end with the transition to communism, which again was built on the utopian elements of Marx’s writings.

There were 11 participants at the first meeting. Besides Stalin and the authors of the draft Leontiev and Ostrovitianov, the highest authorities were present: there were CC Secretary Andrei Zhdanov, Foreign Minister Viacheslav Molotov, Director of Gosplan Nikolai Voznesenskii, head of the department of Agitation and Propaganda Georgii Aleksandrov, and four Academy of Science economists. But aside from Molotov, nobody had the courage to speak up. This is not surprising when thinking of what the participants might have had in mind when entering the dictator’s office.

The participants knew well how Stalin dealt with earlier critiques of his position.⁵ While Trotsky argued that the market and the socialist economy are two incompatible systems that cannot coexist, back then, Stalin and Bukharin opted for a market approach that would continue Lenin’s New Economic Policy (NEP) until socialism was achieved. They proposed the “respect of proportions” between different branches (which will later develop in one of the *laws* of socialism). In his book *The New Economics*, Preobrazhensky instead developed a theory of a mixed economy, arguing that the law of value regulates agriculture, but that other nationalized sectors are free from it (1925). For Preobrazhensky,

the struggle between the State and the market is manifest in the confrontation between the law of value and “the law of primitive Socialist accumulation,” introducing the topic of transition theories. This “law” says to first develop industry using the surplus retrieved from the agricultural sector (see Kaufman, 1953, p. 257). Although no consensus emerged, the basic questions and concepts were on the table and, as we will see, little will be added in the years of Stalin’s High Theory to be described in the following.

In 1927, as Stalin ousted Trotsky and the left wing of the party, he turned against the right, including Bukharin, who had supported him during his rise to power. Stalin adopted the policy of industrialization, previously associated with the left. For him, Trotsky had proposed industrialization *too early*. Now, the pursuit of the New Economic Policy (NEP) might cause the return of capitalism, so Stalin feared. Whatever confusion Stalin’s changing mind might have caused, by the time he seized sole power in 1928, this debate discontinued, leaving Stalin’s first five-year plan unquestioned: limiting international trade, investing in heavy industry, and fostering the collectivization of agriculture (the so-called *kolkhozes*). This plan was inspired by Stalin’s slogan: “In order to achieve the decisive victory of socialism in our country, we must catch up and overtake countries technologically. Either we do that or they will wipe us out” (Davies & Harris, 2014, p. 40).

Planning under Stalin was implemented top down from his inner circle, the Politburo, the CC, Gosplan, and administrative ministers who were further subdivided into 50 regional divisions, followed by the mass of managers of the actual firms. In 1928, Stalin predicted an increase of 250% for industry and 330% for heavy industry only, and targets constantly rose. Even if they seemed unattainable, Stalin made no specific recommendation how to meet them. Planning was an authoritative order or better a threat. The responsibility for the failure of the plan fell back on lower levels, ultimately the managers, engineers, and workers of the firms. In 1931, in a coalmine in Donbass, nearly half the engineers were sentenced to forced labor after the “plan” was not met. After Stalin reduced the objectives in 1933 for the second five-year plan, further failure could more readily be explained by opportunistic behavior, or by lack of self-sacrifice and initiative (Davies & Harris, 2014, p. 54). One of Stalin’s letters, written in 1929 to his protégé and participant in the first discussion, Molotov, shows how “planning” worked. It exemplifies well the daily decisions during Stalin’s regime.

1. Transfer Comrade Mirzoian to the Trade Union International.
2. Purge the finance ministry and state bank of wreckers despite the wails of dubious communists and definitely shoot two or three dozen wreckers from these apparaty, including several dozen common cashiers.
3. Kondratieff, Groman and a few other scoundrels must definitely be shot.⁶
4. A whole group of wreckers in the meat industry must definitely be shot.
5. It is a mistake to issue nickel coins now.
6. It is a mistake to import shoes from England.
7. It is good that the United States has allowed the importation of our timber.
8. How are things with German credits?
9. Force grain exports; credits will come.
10. Pay attention to the Stalingrad and Leningrad tractor factories. Things are bad there. (Gregory, 2003, p. 14)

To avoid such random verdicts, a full-blown second economy developed among managers, a corruption market that allowed increasing production by declaring fewer resources available (Gregory, 2003). As a further consequence, a culture of denunciations of “traitors and saboteurs” emerged, in which all blamed one another. In short, Stalin’s planned economy functioned through terror.

The participants in the first debate had been well aware of this situation when Stalin began talking about the definition of political economy, the law of value, and planning. His definition of political economy followed Lenin’s definition from 1899.⁷ Political economy, according to Lenin (1899), deals with “the social relations between people in production, the social system of production” (p. 63). Since the political economy of capitalism corresponds to only one case of “social production,” it might provide the terms for a political economy of socialism. Rather than the implications of the history of the class struggle, political economy studies “relations between people.” In Stalin’s words:

Political economy is the science of the development of social production, that is of the economic relations of people. It explicates the laws which guide production and the distribution of necessary consumer goods, in both the personal and in the productive sense. (Stalin 1941–1952, in Pollock, 2001, p. 15)

Stalin’s definition allows for the existence of laws of political economy in socialism. For him, the law of value, saying that prices depend on proper cost accounting as well as (fluctuating) demand, is one of them. As the central law in capitalism, it persists in socialism in a *transformed* way. The law of value continues to exist, naturally, as a remnant of remaining markets not under state control (such as black markets, markets for imported and exported goods, and the monetary and non-monetary household economy). But the law continues to exist in nationalized sectors to account for costs of production and wages (in accordance with one’s “capabilities”). While the law of value leads to repeated crisis in capitalism, its conscious use in socialism, as already argued by Iosif Lapidus and Ostrovitianov (1928), leads to the harmonious development of all economic sectors.⁸ Without the law of value, Stalin argued, it is unclear

where the category of the cost of production comes from. Without the cost of production it would be impossible to do calculations, impossible to carry out distribution according to labor, impossible to set prices We want to use (the law of value) deliberately. We need to fix prices within the framework of the law. (Stalin 1941–1952, in Pollock, 2001, p. 17)

For example, Stalin explained, one has to consider the law when choosing a sufficient amount of reserves to keep prices from going up in times of shortages:

In 1940 there was a bad crop, and in Latvia and Estonia there was not enough bread and the price in the market quickly shot up. We sent 200 000 pods of cereal there, and immediately the price dropped For them the law of value acts spontaneously and brings great destruction. But we should run things in such a way that there are fewer victims. The results of the effects of the law of value need to be used consciously by us. (Stalin 1941–1952, in Pollock, 2001, pp. 17/21)

But how does that law of value inform planning concretely? When speaking of planning, Stalin lists three main objectives. The first is to make the economy independent from the rest of the world and especially from capitalism. The socialist

economy has to be shielded off in order to prevent the return to capitalism (note that the primary target of planning is not growth). In order to achieve this goal, second, planning should redirect profits and invest in heavy industry, even if returns are low or zero at the beginning. Thus, the population is forced to forgo consumption to build up industry. Finally, the planners should avoid “disproportions,” that is, to think of input–output relations in industries. Therefore, when it comes to concrete planning policy, the use of the law of value becomes of secondary interest behind political goals dictated by international “class conflict.” In other words, the vagueness and abstractness of the talk about the use of the law of value *diverts* attention from the concrete consequences of Stalin’s industrialist policies.

When being asked to explain further, Stalin encouraged his economists’ colleagues to go beyond Marx as quoted at the beginning of this chapter. His non-dogmatism complements the vagueness of the law of value by laying the burden to concretize it on his fellow economists. For them, this task looked daunting considering the contradictory demands between Marxist theory, the party propaganda, and the underlying Soviet reality. The participants were “caught in a bind,” Pollock (2005) argues. “They had to adhere to the classics of Marxism–Leninism, yet Stalin insisted that they produce innovative work” (p. 283).

The essential elements of this first conversation became public in an article published in 1943 entitled “A Few Questions on the Teaching of Political Economy” in the journal *Under the banner of Marxism*, the theory journal of the party (Anonymous, 1943/1944, p. 524). The article was published anonymously, which for every reader of this journal made clear that it was of highest authority (Ananyin & Melnik, 2019, p. 16). The author must have been one of the participants, and it is likely that Stalin himself authorized it. Leontiev, Ostrovitianov, and Voznesenskii, the principal economists of the first conversation, received a promotion immediately after the publication of the article (Chavance, 1993, p. 240). The article’s central role was internationally immediately understood. Already in 1944, *The American Economic Review* published a translation, and a short version appeared in the *New York Times* as well as in *Science and Society* (Anonymous, 1943/1944, p. 501). As for its contents, the article depicted the Soviet Union as benevolent since it allows the use of scientific laws that promised to improve living conditions. Demarcation was necessary at this point, since the article in fact repeats the position of those who had been officially erased from the party’s history. In a hasty generalization, Trotsky, Bukharin, bourgeois economists, and fascists were all put in the same box as having *illegitimately* extended the laws of capitalism:

It is known that the different shades of enemies of socialism–bourgeois–economist wreckers, restorationists of capitalism from the camp of Trotskyist–Bukharinist agents of fascism–tried to extend the laws of capitalist economy to socialist economy. (Anonymous, 1943/1944, p. 512)

POST-WAR DIVISIONS

World War II cost the Soviet Union 27 million casualties, and left 25 million people homeless. Until 1947, starvation resulted in another one and a half million

deaths. Terror in the vast gulag system continued. Between 1944 and 1952, according to incomplete official statistics, approximately a half million people were killed, arrested, or forcibly exiled from the smaller republics like Lithuania and Latvia. Despite the cost necessary to control the gulags, nobody questioned the role they played in contributing to the plan's success. Forced labor allowed the realization of projects such as the hydroelectric dam on the Volga. The situation seemed as far from the rational use of the law of value as one could possibly imagine. Yet the "great patriotic war" and the rising Cold War increased Soviet nationalism, and confidence in the capabilities of the State reached a climax.⁹

Between February and May 1950, during the same period as Stalin negotiated with the new Republic of China on mutual assistance, three further conversations on the textbook took place in Stalin's office, mostly late at night. The meetings meant something to Stalin. To compare, he met with Igor Kurchatov, the scientific director of the atomic project, only twice between 1945 and 1953 (Pollock, 2005, p. 283). In the first two meetings, only a few were present. Besides the authors Ostrovitianov and Leontiev, and Stalin's protégé Malenkov, there was Pavel Fedorovich Iudin, a Marxist philosopher and member of the Politburo, who had joined the team of authors. Only Stalin spoke, which might be explained by the fact that one important author was missing: Gosplan Director Nikolai Voznesenskii.

The power struggle over the succession of Stalin had already begun and also affected the project of the textbook. Voznesenskii had monitored the drafting of the textbook since 1947 jointly with Andrei Zhdanov, who had been one of the candidates to succeed Stalin. After Zhdanov died suddenly in August 1948, Malenkov, who also hoped to climb to power, together with former head of the secret police, Lavrentiy Beria, tried to eliminate Zhdanov's sphere of influence by attacking his protégé Voznesenskii. In January 1949, Beria showed to Stalin documents proving that Gosplan had not increased the 5% objectives as it was supposed to do. Then, in March 1949, Beria accused Voznesenskii of having used false economic data and not having met the plan (Singh, 1995). Voznesenskii had easy access to actual data about the Soviet economy, and thus saw that the Soviet economy has not reached pre-war production level as it was officially claimed. After these charges, he was replaced as Gosplan director and removed from the list of authors of the manual.

For Beria and Malenkov, this was not enough. In August 1949, Malenkov sent Stalin an investigation that revealed the disappearance of several hundred confidential Gosplan documents between 1944 and 1948, blaming Voznesenskii. Thus, like many others from Leningrad, Voznesenskii found himself imprisoned, tortured, and charged with espionage. Their secret trial happened in September 1950, and their execution, the next month. The death sentence, abolished since 1947, was restored that year to shoot them. Voznesenskii was the last of Stalin's "ruling circle" to be executed.¹⁰ Since Voznesenskii had been known as a supporter of the formula of the "use of the law of value," and without public knowledge of Stalin's own approval of this formula, the execution created much confusion in the public to the point that some spoke of the "fetish of the law of value" (see Kaser, 2008, p. 143).

At the second post-war meeting in February 1950, only a few participants were present. Stalin confirmed that only one version of the textbook would remain. But at the third conversation some weeks later almost all of Stalin's ruling circle came: in addition to Malenkov, Beria, and Molotov, who had been already involved, Minister of Defence Nikolai A. Bulganin, Minister of Building Material and soon First Deputy Premier Lazar Kaganovich, and Vice-Premier of the Council of Ministers Anastas I. Mikoyan were present. Besides the authors Leontiev, Ostrovitianov, and Iudin, another author joined: Dmitry T. Chepilov, head of the Department for Agitation and Propaganda (Pollock, 2006, p. 257). Again, only Stalin spoke, and thus complained that "it is bad that there are no disagreements in the committee and that there are no arguments over theoretical questions. I mean, you are involved in a historical undertaking" (Stalin 1941–1952, in Pollock, 2001, p. 35). He criticized the representation of feudalism and proposed a comparison of wages between countries to demonstrate that many nations do not reach the same living standard as the Soviet Union. Most interactions consisted of pointed questions. To understate what was going on, Stalin failed in creating a safe space to express "disagreements." The intellectualism he suppressed left him as the only one to represent it.

Shortly after the third conversation, a parallel public event was closely followed by those partaking in the meetings, the controversy on linguistics.¹¹ In the midst of the Korean war and an imminent World War III, Stalin intervened in a debate on the genetic unity of Slavic languages, as argued previously by Nikolai Marr (1865–1934). Arnold Tchikobava belonged to a minority that opposed Marr's theses. Jointly with the CC Secretary in Georgia, Tchikobava sent a letter against Marr to Stalin, which caused the dictator to write a review of their critique. On June 20, 1950, *Pravda* published Stalin's (1950) article, *On Marxism in Linguistics*. He opened the article by writing: "I am not a linguistic expert and, of course, cannot fully satisfy the request of the comrades As to Marxism in linguistics, in other social sciences, this is something directly in my field" (see also Pollock, 2006, p. 123). Stalin, unlike Marr, argued that language is not part of the superstructure emerging from the economic base. And he did so in the name of a pluralist science and for the sake of a non-dogmatic Marxism:

It is generally recognized that no science can develop and flourish without a battle of opinions, without freedom of criticism. But this generally recognized rule was ignored and flouted in the most unceremonious fashion. There arose a close group of infallible leaders, who, having secured themselves against any possible criticism, became a law unto themselves and did whatever they pleased As a science, Marxism cannot stand still In the course of its development, Marxism cannot help but be enriched by new experience, by new knowledge; consequently, its individual formulas and conclusions must change with the passing of time, must be replaced by new formulas and conclusions corresponding to new historical tasks. Marxism does not recognize immutable conclusions and formulas, obligatory for all epochs and periods. Marxism is the enemy of all forms of dogmatism. (Stalin, 1950, in Pollock, 2006, p. 129)

Having publicly intervened in linguistics, Stalin became the new reference for further research, and publicly celebrated as the "coryphaeus of science" (see Pollock, 2005, p. 282).

THE GREAT DISCUSSION OF 1951

On April 25, 1951, Stalin received the complete textbook. Instead of editing it himself, he ordered the widest debate so far on the book. He invited some 250 readers to the CC, including economists, party leaders, and industrialists. Some months before the meeting, participants received the latest version of the textbook that was still unknown to the public. The invitation letter explained:

Keeping in mind that the prepared textbook is in need of serious improvement, the Central Committee believes it necessary to conduct an open discussion about the enclosed textbook so that economists' useful critical comments and suggestions can be taken into account in the final editing of the course. (Pollock, 2006, p. 185)

The meeting began on November 10, 1951, and lasted more than five weeks. Around 110 talks were given with 21 plenary sessions. Stalin being absent, he assigned Malenkov, his most experienced Secretary, to lead the conference, and to write daily reports. In his opening speech, Malenkov stressed the importance of criticisms and lamented the existing dogmatism. And indeed, the debate was vivid. Thousands of pages of archival material document the plurality of opinions expressed (Gorlizki & Khlevniuk, 2004, p. 145; Pollock, 2006, p. 186).

One of those who took the invitation for a free discussion seriously was L. D. Yaroshenko. He expressed his doubts about the very definition of political economy proposed in the textbook. He argued that the object of political economy should be the rational planning of the economy as a whole rather than the abstract and conceptual study of relationships between the different sectors of the society. However, this would have diverted too far from Stalin's definition, which Malenkov knew well, such that Malenkov decided not to include Yaroshenko's speech in his report to Stalin.

Among other controversial issues, the meaning of the "transformed" law of value arose naturally in most quarrels. While Stalin needed the advice of economists to form a clearer understanding of the law, participants hesitated without knowing the dictator's line. Being aware of the 1943 article, but not the contents of the last conversation, participants were groping in the dark. Some still claimed that the party created all laws and thus the very base of the economic structure. Others argued that the very notion of law implies independence from political will. No agreement evolved. One of those who spoke about the law of value said of himself: "Although I developed my point of view about the law of value, I'm still not sure exactly what that point of view is" (Pollock, 2006, p. 189). In another humorous tone, one participant pointed to what others might have thought too:

Each comrade speaking from the lectern about the law of value felt it necessary to develop his own conception of the law of value under socialism. More than 20 different conceptions have been put forth here, which is quite a bit more than is needed (laughter). (Pollock, 2006, p. 189)

The participants did not live up to the pluralism that Stalin wished to stage, and must have felt the empty sophistry of the discussion about the law of value. With the debate on linguistics in mind, the participants might have feared to suffer a similar fate as the Marrists. One of them noted,

the situation has evolved to the point where we wait for Stalin to decide our problems instead of using Stalin's work as a basis for [...] moving our science forward ourselves. (Pollock, 2006, p. 193)

On December 3, the authors of the textbook responded to the comments made during the preceding weeks. Ostrovitianov accepted the criticism that research in the Economics Institute of the Academy of Science, of which he was the head, had stagnated. Iudin, in his speech, confronted Leontiev regarding the fact that he kept sole authorship for 15 years without including the wider public of economists. But Ostrovitianov argued for the necessity of a *closed* debate: the Institute should not publicize any issues that were still being debated internally. This final round of discussion can indeed count as a rare occasion on which economists, during Stalin's reign, debated the nature of the debate about the political economy of socialism.

All in all, Malenkov concluded in his report to Stalin that the textbook contained

a series of theoretical errors in the interpretation of key problems of political economy, mistakes of factual and statistical material, imprecise formulations of an editorial nature and a number of questionable or weakly argued sentences. (Pollock, 2006, p. 284)

The participants all received copies of the reports, and many were dissatisfied with the record of their opinion. They wrote to Malenkov to clarify them, but without consequence. What Stalin knew of the debate, he knew from Malenkov.

ECONOMIC PROBLEMS OF SOCIALISM IN THE USSR

The day after the closing of the Great Discussion, December 4, 1951, Stalin asked for the organization of a Party Congress, the first in 13 years. In his speech, he planned to present himself as an intellectual resolving the debate on the political economy of socialism. For during the week following the Great Discussion, Stalin wrote a manuscript called *Remarks on Economic Questions Connected with the November 1951 Discussion*.

While Stalin began his article on linguistics humbly, in his *Remarks*, he presented himself as an actual expert. He took a position on economic laws, the law of value, set out additional laws, distinguished types of properties, and ended by suggesting ways to improve the textbook. Economic laws, he argued, were still present in socialism, beyond the power of man, though subject to historical change.

Although the formula that economic laws can be transformed has already been current in our country for a long time, it must be abandoned for the sake of accuracy. The sphere of action of this or that economic law may be restricted, its destructive action ... may be averted, but it cannot be "transformed" or "abolished." (Stalin, 1952/1972, p. 1)

He added, as was written in the 1943 article, that those who deny the postulate (that the laws of political economy under socialism are objective) are "denying science, and by denying science, they are denying the possibility of prediction, and of directing economic activity" (Stalin, 1952/1972). This leads Stalin to state

the basic economic law of socialism. The basic law of capitalism being exploitation, in socialism it is defined as follows:

The securing of the maximum satisfaction of the constantly rising material and cultural requirements of the whole of society through the continuous expansion and perfection of socialist production on the basis of higher techniques. (Stalin, 1952/1972, p. 7)

This “law” is clearly nothing but a political goal or promise. Yet this promise reflects precisely the Marxist–Stalinist notion of scientificity as *historical determinism*. Its discursive role is to excuse the current failure to obtain this goal with reference to a scientifically certain future. For clearly, until this point, this “law” was far from being felt by anyone in the Soviet Union. And in the same sense as socialist prosperity remains a promised future, so does the law allow that the discussions about improving socialism can go on in a pointless fashion. Thus, in the last section, once more, after close to 20 years of discussions, Stalin asked for yet more scientific debate and expertise:

I think that in order to improve the draft textbook, it would be well to appoint a small committee which would include not only the authors of the textbook, and not only supporters, but also opponents of the majority of the participants in the discussion, out-and-out critics of the draft textbook. It would also be well to include in the committee a competent statistician to verify the figures and to supply additional statistical material for the draft, as well as a competent jurist to verify the accuracy of the formulations. The members of the committee should be temporarily relieved of all other work and should be well provided for, so that they might devote themselves entirely to the textbook. (Stalin, 1952/1972, chapter 10)

Immediately after receiving Stalin’s report on the meeting, Ostrovitianov sent the document to all participants of the discussion in November 1951. Requests for more copies were invading the CC. In a short time, the copies in circulation increased to 3,000, and were sent to political economy teachers at schools, universities, academy institutes, editors of major journals, secretaries, and “scientific workers” at all party levels throughout the country. The authors received many letters from these readers asking for clarifications, some of which reached Stalin himself. One of them was written by Yaroshenko lamenting the scholastic character of the debate and defending his own definition of socialism. This and other letters made Stalin write another text consisting of answers to these responses.

In response to Yaroshenko, who argued that political economy is about rational planning only, Stalin, in these *Answers*, separated the discipline of political economy from economic policy (which in fact echoed the notion of political economy being limited to capitalism). While political economy deals with production, that is, “the economic relations of men,” economic policy deals with the “rational organization of the productive forces, economic planning, formation of social funds, etc.” (Stalin, 1952/1972). Stalin thus prevented political economy from providing economic recommendations, limiting it to what he himself has created: empty scholasticism. He then called Yaroshenko “un-Marxian,” “profoundly erroneous,” “chimerical,” and “reminiscent of Bukharin.” No surprise, the Moscow Party Committee denounced Yaroshenko as a Bogdanovite–Bukharinist and sent him into an Institute in Siberia. As he continued defending the same views, Stalin sentenced him to imprisonment in December 1952. He was

released nine months after Stalin's death (Pollock, 2006, p. 209). This represents a simple example of what could happen when taking Stalin's invitation to think freely seriously.

Stalin's *Remarks* and *Answers* show that the dictator had not changed his mind throughout the process of discussing various drafts of the textbook. His positions added nothing new to what has been already out in the debate before his reign – originality that he repeatedly asked from others. Credit to preceding authors, however, was missing since most of the authors had been officially erased from the party's glory, which left Stalin as the sole intellectual. In addition, ever since the first debates about the political economy of socialism, the actual economic problem of balancing out agricultural, industrial, and consumer goods remained the same. These elements taken together support the preceding interpretation of the debate about the political economy of socialism as a *strategic* discourse of consolidating power rather than as a matter of an independent scholarly activity. Stalin's scientific pluralism was a means to paper over his tyranny.

THE LAST CONVERSATION

Stalin's *Remarks* were on the agenda of the last conversation on February 15, 1952, late at night from 10 pm to 11:10 pm, which would be the last conversation on the textbook. Eighteen people, including a host of new scholars from the Academy of Science and the party school, were present.¹² A majority of participants intervened, though asking mainly for clarification. Ostrovitianov began right away by asking if the press could publish the *Remarks*, to which Stalin was opposed. He refused the idea of a textbook associated with his person, which would turn the book, according to him, into a dogmatic document. He suggested that it would be better to include the *Remarks* in the text, increasing its credibility. It should bear the authority of scientific Marxism alone. During the conversation, Stalin reaffirmed his statement that laws cannot be created, abolished, changed, or transformed:

You need to speak not of the transformation of laws, but about limiting the spheres of their effect. This would be more accurate and more scientific. No inaccuracy at all can be allowed in a textbook. (Stalin 1941–1952, in Pollock, 2001, pp. 49–50)

Regarding the ominous law of the proportional development of the economy, Kozlov asked Stalin to clarify its meaning. He replied:

When you don't break the law, it sits quietly and its location is unknown – it is everywhere and nowhere. In general, all laws let themselves become known when they are broken and this does not happen without retribution. The law of the planned development of the economy influences the lack of coordination between branches. It requires that all the elements of the economy find their mutual correspondence and develop in coordination with one another proportionately. The law of planning of the development of the economy corrects any deficiency in planning. (Stalin 1941–1952, in Pollock, 2001, p. 55)

Stalin adds a trivial example about cars: For a certain amount of production, the State must provide a sufficient number of metal sheets. But who performs

the calculations and how? How does demand enter these accounts? It is hard to believe that Stalin did *not* know (and did not act upon this knowledge even unwittingly) that the vagueness of his speech was necessary to appear as an intellectual.

After all, Stalin's *Remarks* were published, in October 1952 some days before the XIX Party Congress, under the title *Economic Problems of Socialism in the USSR*. At that time, Stalin had already suffered from memory losses, reduced stamina, and sharp mood swings (Gorlizki & Khlevniuk, 2004, pp. 143, 159). However, the publication of his *Remarks* might have contributed to his continued authority at the congress, an authority that is evident from the fact that the Congress resulted in thoroughgoing constitutional changes in Stalin's favor.

In January 1954, the Academy of Sciences organized a conference with a thousand participants to discuss Stalin's book (Kaser, 2008, p. 151). It set the terms for the future discourse of political economy. The Academy of Sciences and the Ministry of Education

revised their scholarly agendas in light of Stalin's work, organized conferences addressing it, published editorials in all their major journals praising it, and oversaw dissertations exploring its meaning. *Economic Problems* became the focus of ubiquitous praise in the press and in scholarly meetings for months. (Pollock, 2006, p. 210)

Thus, it appeared that Stalin made it into the shrine of Marxism–Leninism–Stalinism.

AFTERMATH

The publication of the textbook was on Stalin's mind until his last days. According to Kaser (2008), another discussion was scheduled the very day Stalin passed away, on March 5, 1953 (p. 151). It took 18 more months, and 17 years after the beginning of the project, before the Economics Institute of the Academy of Sciences published the textbook: *Politicheskaja Ekonomija, Ucebnik*. It sold six million copies in the first two years only.

Stalin's authorial contribution to the textbook, as became evident from the preceding conversations, is almost invisible in the printed version. Unlike other documents commissioned by the CC, the textbook does not have the seal of being approved by the CC. The preface refers to the discussion of 1951 – at which Stalin was absent – but not to any other conversation with Stalin or his active role in its genesis. And yet, as every reader could easily understand, the book is strongly inspired by Stalin's *Economic Problems of Socialism in the USSR* (1952). In following the chronological order from pre-capitalism to capitalism to socialism it differs from the Whig history of the Short Course by little more than the vague notion of two laws central to the text: the law of value and the law of the harmonious, that is, proportional development of the national economy (which implies the distribution of wealth according to labor). There are many other “laws,” but listing them would add little, since their discursive function is clear: to set in stone the past actions of the party as historical determinism, and, regarding the future, to re-create belief that economic heaven will come, papering over the fact

that the Union has not already made it. In any case, they divert attention from how the Soviet people are in fact governed, to put it in Foucauldian terms.

After the dictator passed away, as is well-known, politics turned quickly against Stalin, launching the short period of the so-called Thaw. But what happened to the textbook? Even if rapidly replaced as the textbook actually used in the classroom, it set the terms of the discourse of political economy also after Stalin. The impact in the academic circle was quickly turning to attempts to “improve” it – just as during the 17 years of rewriting drafts. The debates that Stalin encouraged brought a persistent hope for change and “improvement” that avoids questioning the discursive order in general. Indeed, the abstract discourse about the meaning of the law of value in socialism will remain until the end of the Soviet Union. The political economy of socialism was never more like an *ex post* justification of party decisions rather than an actual epistemic input into policy-making – that is, window-dressing. Thus, very much in the spirit of Stalin, economists continued to go beyond Stalin, stuck in the terms set by him: sophistry blind of actual problems.¹³ Thus, in the eyes of his contemporaries, Stalin did manage to be incorporated in the history of Marxism, just as he presented himself in the Short Course on history. In fact, the dictator is still included in *The New Palgrave Dictionary of Economics* (Ellman, 2018).

Soviet economists, before and after Stalin, held up the belief in academic freedom in the face of its limitations. For them, it consisted in the promise that further discussions that link theory and practice will ultimately eliminate dogmatism, and create prosperity. Stalin's pluralism and intellectual openness managed to absorb the intellectual forces in an inconsequential scholasticism.

NOTES

1. Stalin was inspired by the history textbook *Short Course* that rewrote the history of the communist party of the Soviet Union in Stalin's favor. Stalin himself (1935) had ordered the book to be written; he wrote the chapter on historical materialism and approved the book's publication in 1938. As mandatory reading in universities and party schools, it was the most widespread work under Stalin. In 1955, more than 40 million copies circulated in a population of about 210 million (Pollock, 2006, p. 170; Sutela, 1991, p. 15; and also for a literary analysis Kalder, 2018, pp. 70–75).

2. The minutes of the conversations between 1941 and 1952 were unearthed by the historian Ethan Pollock in the Russian State Archive for Socio-Political History and the Archives of the Academy of Sciences of the Russian Federation (2001), which are the main sources of this chapter. Next to Pollock, who is little known in the history of economic thought, other must-reads to understand how science worked under Stalinism is Krementsov (1996), who provides both an institutional and rhetorical analysis of Stalinist science, as well as more recently Kalder (2018) comparing Stalin's writings to many other dictators from a literary point of view. Regarding Stalin's political economy, the most visible contribution is Ellman's New Palgrave entry (2018), next to lesser known contributions such as Chavance (1980), and Singh (1995, 1998). Regarding the “law of value” see Kaser (2008), Lallement (2014), and Ananyin and Melnik (2019). There are also untranslated Russian historical works, such as Openkin, 1991 on Stalin as an economist (for further references see also Ananyin & Melnik, 2019). None of these contributions have so far explicitly shown how the political and epistemological aspects of Stalin's “economics” constitute each other, as explained at the end of this introductory section.

3. For more on the approach to the political epistemology of economic knowledge in socialism, see [Düppe \(2015, 2017, forthcoming\)](#). Also, for other examples of how abstraction in economic discourse works in politically heated times, see [Düppe \(2011, 2012\)](#).

4. The historical analysis of Stalin as an intellectual builds strongly on the previous work of [Pollock \(2001\)](#) and [Krementsov \(1996\)](#). Both have analyzed Stalin's other scientific contributions to the "hard" sciences, notably in the famous "Lysenko affair" regarding the role of genetics in agriculture, and of course the debate on linguistics that we mention below.

5. The classic and still valuable study of the political economy of socialism from Lenin to Stalin is [Kaufman \(1953\)](#).

6. Kondratieff was a known agricultural economist as well as a specialist in business cycles. Groman was a leading economist at Gosplan (1923–1928).

7. Lenin builds on Engels's *Anti-Dühring*, where one also finds an expanded definition of political economy that could apply to socialism: "the science of the laws that govern the production and exchange of the material means of subsistence in human society" ([Engels, 1878 \(1947\)](#), p. II, chapter 1).

8. "In a capitalist economy this law acts in spite of the human will and consciousness through the law of value; in a communist society it will act exclusively through the will and consciousness of men and will express itself in definite planning decisions by the appropriate authorities" ([Kaufman, 1953](#), p. 263).

9. On this post-war period, see [Gorlizki and Khlevniuk \(2004\)](#) and [Khlevniuk \(2015\)](#). It is this clash of nationalism and economic reality that might explain the vague of anti-Semitism in 1948 to 1950 spreading to the population. Stalin was wary of spies favorable to Western states and suspected all Jewish of spying for the Americans ([Khlevniuk, 2015](#), pp. 170–172). A major campaign led to the arrest of several influential Jews, a campaign that could divert attention from other issues, such as famine, and mobilized the population against a common enemy. This campaign also affected economists, such as Eugen Varga (see [Kaser, 2008](#), p. 148 ff.), but had no immediate effect on the authors of the textbook, even if the main author, Leontiev, was indeed Jewish.

10. Voznesenskii's exclusion is part of a larger story, the so-called Leningrad affair that led to the execution of more than 100 Leningrad officials. This full affair is not immediately relevant to the textbook and cannot be covered here (see [Melnik, 2018](#); [Ruble, 1983](#); [Tromly, 2004](#)).

11. This episode is fully researched by [Tuite \(2011\)](#), [Krementsov \(1996\)](#), as well as by [Pollock \(2006\)](#).

12. Besides Stalin, Laptev, Leontiev, Ostrovitianov, Ioudine, Chepilov, and Pachkov, again there were a row of new participants: a new author of the textbook, an accounting expert in the Ministry of Finance, V. I. Peresleguine, the Scientific Secretary of the Academy of Sciences A. V. Borgoff, and following members from the Academy of Sciences: L. V. Gatovski, A. A. Arakelian, V. I. Vasil'eva, A. D. Gusakov, and M. I. Rubinshtein. Also known teachers of political economy of the party school were present: G. A. Kozlov and I. I. Kouzminov, Z. V. Atlas, and N. N. Lubminov. Despite this amount of new people, the nature of the "debate" did not change.

13. For the character of the political economy of socialism after Stalin "between orthodoxy and reform," see [Sutela \(2008\)](#). See also the interviews conducted by [Meek \(1955\)](#) with political economy teachers that describe well the impasse between scientific creativity and party-loyalty that prevailed after Stalin. See also, for the case of the Thaw in the GDR, [Düppe \(forthcoming\)](#).

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CHAPTER 4

WORLD BANK'S MISSIONS IN COLOMBIA: ROJAS' REGIME, DOMESTIC OPPOSITION, AND INTERNATIONAL ECONOMISTS (1949–1957)

Elisa Grandi

ABSTRACT

This chapter focuses on the international development plans implemented in Colombia during the regime of Gustavo Rojas Pinilla (1953–1957). It argues that foreign economists and international agencies, such as the World Bank, played a significant role in supporting and strengthening local leaders opposing the regime. By analyzing the creation of the Cauca Valley Corporation in 1955, through the intervention of the former chair of the Tennessee Valley Authority (TVA) David Lilienthal, this study provides two main contributions to the literature on economists and political economy under authoritarian rule. Firstly, it illuminates how local groups mobilized international economists to contrast Rojas. Secondly, it analyses the evolving relationship between World Bank advisors, David Lilienthal, and the regime. After describing the consolidation of political and economic interest groups and their global connections before Rojas coup d'état, it focuses on Rojas' regime and on how it affected the implementation of the World Bank development started with the General Survey Mission in 1949. In the Cauca Department, local leaders invoked the World Bank and Lilienthal to implement a TVA model in opposition with the central government.

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INTRODUCTION

This chapter focuses on the international development plans implemented in Colombia during the regime of Gustavo Rojas Pinilla (1953–1957) and examines the role played by foreign economists in supporting the domestic opponents to the regime. Colombia hosted several missions of international economists, especially after the launch of the first World Bank General Survey mission in 1949 ([Alacevich, 2009](#); [Mason & Asher, 1973](#)). With the arrival of Rojas military regime in 1953, international aid became part of the conflict between the regime and the local groups opposing it. Local economic and political leaders competed with the central government to obtain technical assistance from foreign experts. The international economists appointed by Rojas' opponents proposed regional development plans alternative to the central ones, managed by the government. The creation of the Cauca Valley Corporation in 1955, through the intervention of the former chair of the Tennessee Valley Authority (TVA) David Lilienthal, shows the interplay among local leaders, the central government and international economists.

This study addresses two main issues. Firstly, it illuminates how local groups mobilized their international networks to contrast Rojas' regime. The power of these groups in orienting the Colombian economy is well acknowledged, but the importance of their international networks has been scarcely addressed. In the Cauca Valley, the agency of international advisors was fundamental in imposing a regional development plan autonomous from the central one. Secondly, it analyses the evolving relationship between World Bank advisors, David Lilienthal and the regime. World Bank economists drafted a development program for Colombia in 1950. The coup d'état through which Rojas came to power occurred during its implementation. How did it change the relationship between the country and the bank's economists? How did Lilienthal integrate this new political framework, through his economic advising in the Cauca region? This chapter answers these questions by looking at the World Bank's reaction to the regime, and the competition between the "Lilienthal plan" in the Cauca Valley and the national one. It argues that the support given by international economists to local leaders strengthened the domestic opposition and weakened the regime.

To understand how local elites mobilized international economists against Rojas, the first section traces briefly the emergence and rise to prominence of political and economic interest groups and their local and global connections before Rojas' coup d'état. In particular, the Colombian Federation of Coffee Producers (FEDERCAFE) directly oriented the Colombian–United States relations, as well as the main economic reforms undertaken by Colombian Liberal governments leading the country until 1946. Between 1946 and 1949, the Conservative President Mariano Ospina Pérez kept a strong continuity with

previous governments. He made Liberal leaders enter the government, and maintained strong inter-American economic relations that led to the first World Bank missions in the country. After the turmoil following the assassination of the radical Liberal leader Jorge Eliecer Gaitán, the political instability weakened the Conservative administrations between 1950 and 1953. As a result, General Rojas overthrew President Roberto Urdaneta and took power with a military junta. The second section focuses on this shift and on how it affected the implementation of the World Bank development program. The third section examines the aftermath of Rojas' coup d'état. Rojas tried to maintain the World Bank's support and assistance, but jeopardized the institutions created to implement World Bank's recommendations, by replacing most of the Colombian experts involved in them. The opposition to the regime, organized locally, tried to overcome repression by invoking directly the intervention of foreign economists. In the Cauca Department, historically characterized by a strong autonomy from the central government, local leaders called Lilienthal to implement a TVA model in the Valley. After the fall of the regime in 1957, this model became part of a broader economic program financed by the United States and the World Bank.¹

1. Colombian Political and Economic Groups: Domestic Conflict and Transnational Networks (1930–1948)

The political power and influence of economic interest groups are among the main feature of the Colombian system and prevented the affirmation of populist economic policies (Bailey, 1977; Urrutia, 1991). Under the Rojas regime, these groups mobilized international economic advisors to implement development programs alternative to the ones applied by the central government. To understand this process, this section introduces briefly the emergence and influence of locally based economic groups before the arrival of Rojas and the international networks they built, especially in the inter-American system.

The Colombian economy has a strong regional basis. Each region developed around specific economic sectors, and these different patterns highly influenced the national policy. During the early phase of Colombian economic modernization, given the overwhelming importance of the coffee exports in the national economy, the leading regions were those producing coffee (Henderson, 2001; Ocampo & Montenegro, 1984; Ocampo & Torres, 1988; Thorp, 1984). Coffee expansion paralleled also the first massive flux of foreign capital into the country, which was also locally oriented. During the 1920s and 1930s, Colombian departments and cities sold bonds to US commercial banks and invested the revenues in the mechanization of the farms, but also transport and urban infrastructure (Grandi, 2018). These programs and loans were managed by private firms or by the municipalities, with local political leaders strongly linked to the most influential business families. For the implementation of these programs, American economic experts and engineers were sent to Colombia. It was the period of the “dollar diplomacy,” marking the integration of the country within the US financial markets. In the Cauca region and the areas around the coffee centers of Cali and Manizales a small but influential group of innovators, mainly landowners, migrated from abroad or from other

Colombian regions, such as Antioquia. One of the most influential business family in the region, the Eder family, obtained a loan by the J. & W. Seligman Bank, specialized in the financing of infrastructures in the United States. Eder family led the sugar firm La Manuelita and used the loan to buy foreign machinery and mechanize the production. The same happened in other regions, such as in the Atlantic Department, or in Antioquia, to finance public services for Medellín or Barranquilla, as well as private industries (Dávila, 2012; Knight, 1972; Posada Carbó, 2011). Through these loans, the Eder family and other influential economic and political leaders acquired both domestic and international legitimacy. They were able to attract international investments and technical assistance programs, and used these ties with international economic actors to strengthen their local and national power base. These connections were mobilized further after World War II, to orient World Bank and other US agencies programs.

Another tool used to consolidate the national influence of locally based economic groups was the creation of national associations of farmers or industrialists to support and promote the interests of their members. Coffee growers created a national association in 1927 (the FEDCAFE), which increased the “symbiotic relationship” between the state and the coffee growers (Bucheli & Saenz, 2014). Highly organized and diffused over the Colombian territory, it quickly gained public functions and negotiated policies with the government. It also served as the only technical organization providing reliable national data available on coffee production. Due to its national and international creditworthiness, its reports were the main source for the World Bank missions’ surveys. FEDCAFE affirmed quickly its presence in the inter-American system. It opened branches in New York in 1930 and negotiated the coffee quota in the inter-American market (Thorpe, 1984). The Great Depression provoked the collapse of the coffee prices, but did not reduce its national influence. Instead, the central government created financial institutions to provide loans to the agriculture, such as the Caja de Crédito Agrario Industrial y Minero (Caja Agraria) and took in charge 40% of the coffee growers’ debt. It was the peak of the Liberal era, in which local and socio-professional interests were homogenized by the central governments, able to maintain political and social stability after the tensions in the rural areas in the late 1920s (Bucheli, 2005; LeGrand, 1986).

Colombian external debt was mainly caused by the sale of local bonds to the US market. After a partial moratorium in 1932, in 1935 Colombian government declared default (Avela Gómez, 2003). The negotiations following the Colombian default in 1935 show well the interconnection between local elites, business groups, national policies, and international agencies (Avela Gómez, 2003). The negotiations between US and Colombia for the debt repayment terminated in 1939. Colombia agreed to resume the repayment process, but asked in return, a 10 million dollar loan by the Export–Import Bank, to refinance the Caja Agraria. Local business groups, organized in national associations, were able to orient national political economy and their interests were well represented in the central government through the two traditional parties, the Liberal and the Conservative. At the international level, after the “dollar diplomacy” of the 1920s, Roosevelt’s Good Neighbor Policy strengthened their connections with US private firms and lending agencies such as the Export–Import Bank.

The convergence among Colombian central government, local groups, and international agencies characterized the Liberal administrations of the 1930s. Especially the first administration of Alfonso Lopez Pumarejo (1934–1938) accelerated Colombian modernization and echoed Roosevelt's New Deal, applying Keynesian measures and rationalizing the agrarian sector, while at the same time addressing the social tensions in rural societies (Henderson, 2001, pp. 210–211). At the beginning of the 1940s, new political leaders, characterized by a populist discourse, emerged, and weakened traditional parties. Indeed, in spite of the modernization of the economy, the liberal governments seemed incapable to improve the conditions of the urban masses: in the countryside, the number of daily farmers increased, to the detriment of independent farmers. This led to a massive exodus from the countryside to the cities, but the industrial districts could not absorb most of the migrated population. Finding a solution to solve the social tensions became the top priority of the political debate.

Nationalist and populist movements emerged both within the Liberal and Conservative milieu. On the Liberal side, the radical leader Jorge Elcer Gaitán succeeded in channeling a vast mobilization against the traditional parties. Gaitánism claimed to fight for the “moral and democratic restoration of the Republic,” distancing himself from both the liberal party and the trade unions (Henderson, 2001). In particular, in the areas that had experienced the most dramatic social tensions in the 1920s and 1930s (the Coastal departments), his political reputation overwhelmed all the other traditional leaders and the same President Lopez. As Labor Minister (1943–1944), he often diverged from the majority of the Liberal Party, and was able to get the support of the urban middle class. Strengthened by this strong consensus, he began the campaign for the 1946 presidential elections. The Liberal Party arrived at the Presidential elections of 1946 divided: while Gabriel Turbay was the official candidate, Gaitán represented the most radical current. The division opened the door to the victory of the conservative Ospina Perez, although he had reached only 41.1% of the votes. Gaitán, with 27.2% of the votes, emerged as the legitimate alternative to the official line of the party.

The consensus around Gaitán was so sensational that it had a significant international echo. The US Ambassador John Cooper Wiley reported to the State Department that Gaitán would have been “an important political concern for a long time.”² Gaitán's political rise worried the United States, especially for his connection with the wave of strikes against US firms in the country. Still, Ospina Perez's administration followed previous governments, both in terms of economic policies and diplomatic relations. Ospina well represented the Antioquian coffee bourgeoisie. Among the most important national leaders of the Conservative party, he was at the same time strongly connected with local political and economic powers. His uncle, Pedro Nel Ospina, had been himself President at the beginning of the century and had played a major role in getting US loans in the region in the Twentieth. Ospina set up a government of “National Union” (*Union Nacional*), in which both parties were represented, maintained strong ties with the local and national interest groups and intensified the economic relations with the United States. He worked with Liberal leaders Lleras Restrepo and Esteban

Jaramillo for the final settlement of the US debt, concluded in 1948 (Avella Gómez, 2003). The IX Pan American Conference was organized in Bogotá, in 1948, and the Liberal leader Alberto Lleras Camargo became the first secretary of the Organization of the American States.

This same conference turned into one of the most dramatic political and social turns in Colombian history, the *Bogotazo*. Gaitán was murdered in the streets of Bogotá, while he was organizing a manifestation against the conference. The assassination provoked a violent mass protest. Fires spread in the center of Bogotá and the riot extended to other Colombian cities. Ospina named the Liberals leaders Dario Echandia Minister of Government, and Eduardo Zuleta Angel Minister of Foreign Affairs, while the Conservative factions used the event against him to call for a more radical conservative turn. The endurance of the democratic institutions did not prevent the extension of the violence in the country. The agreement between Ospina and the Liberal Party avoided a political and institutional crisis, but social conflicts multiplied. Ospina tried to respond with social policies aimed at reducing tensions, but the conflicts continued. The Liberal Party, hardly hit by the violence, decided to withdraw from the 1949 elections, leaving Laureano Gomez as the only candidate for the presidency.

Such a dramatic riot during the Inter-American conference had a huge impact in the US. Given the strength of the radical faction in the Liberal party, the American embassy feared that the Colombian communist party could have a role in a new government. Thus, the ability of the Colombian government to maintain institutional stability in spite of an uprising with unforeseen consequences was highly appreciated, especially in a moment in which the United States was concerned about the expansion of communist parties in the region. The Colombian government used this event to reiterate the demand for international economic and technical assistance in the country.

Colombian political and economic context at the end of the 1940s was somewhat ambiguous. On the one hand, social tensions worsened after the *Bogotazo* and led to a long civil war, which spread mainly in the countryside. On the other hand, political institutions were not threatened by the social turmoil, and the Colombian government, strongly linked with economic groups and associations, relied on the enduring ties it had built with the United States and the inter-American institutions to demand international financial aid. The *Bogotazo* became thus an important turning point not only for its dramatic consequences in Colombian society, but also as the event that triggered the international aid in the country by the launch of international economic missions. These early missions were characterized by the interplay between local leaders, the central government, and foreign economists.

2. International Economists and Political Crisis: The World Bank Early Missions and Rojas coup d'état (1948–1953)

A few days after the *Bogotazo*, the Export-Import Bank approved the granting of a \$10 million emergency reconstruction loan to finance equipment and materials.³ In July 1948, a Colombian economic mission was sent to Washington to negotiate

United States and World Bank loans to the country. Its composition shows again the interdependence between the central government and the economic groups. It was led by Alfonso Araujo and José Gomez Gutierrez, two Colombian industrialists, belonging to the economic and financial elite of Medellín and Bogotá. Close to the conservative party and members of the National Association of Industrialists, they aimed to obtain international credit for private industries. They were accompanied by Roberto Urdaneta, member of the Conservative party and Chief of the Colombian Delegation at the United Nations and Emilio Toro, a member of the Liberal Party from a prominent family of Cauca coffee growers. Toro well represented the gradual rise of a socio-professional group of economic experts in the national government, which was, at the same time, highly connected with the Inter-American system. As a Member of the Comité Nacional de Cafeteros and the Inter-American Coffee Board, he had participated in the most important inter-American conferences on the distribution of coffee quotas for sale in the US market.

After reassuring the US State Department of the solidity of Colombian democratic institutions, Araujo stressed the need for an economic assistance program to prevent the risk of other social tensions. He reported the negotiations he had already with the World Bank and the International Monetary Fund and that the US assistance was needed primarily to finance the reparations after the riot.⁴ On November 4, the Colombian Ambassador Restrepo Jaramillo insisted on the same points. He emphasized that the way in which the Colombian government handled the uprising

was quite different from the actions of other Latin American governments under similar circumstances and plainly indicated the democratic and liberal make-up of his government.⁵

The result of these negotiations was the decision of the World Bank to set up a mission in the country to finance a set of development loans.⁶ Gutierrez, Araujo, and Toro negotiated the World Bank's intervention in the country and more specifically the organization of a General Survey mission, intended to evaluate the economic conditions of the country and design a comprehensive development plan. They became the leading members of a group of Colombian economic experts interacting with international economists on the application of international development programs. Their trajectory shows how professional groups representing local economic interests were becoming state technical elite through their political and professional connections. These experts became more and more important in dealing with international economists. Colombia did not have a developed economic science training economic experts. The only central institution playing this role was the central bank. Like many other Latin American central banks, it was created in the Twentieth as a result of the Kemmerer missions in the region (Drake, 1989). Highly organized and independent from the central government, it was among the most prestigious economic actor in the country and one of the privileged interlocutor of the foreign economists. With this important exception, the negotiations and debates with the international economists were led by the political leaders and the economic associations' leaders, whose experience and the trustworthiness were guaranteed by their previous negotiations with banks and international organizations.

During its four months in Bogotá, the mission collected data on all aspects of the Colombian economy. The head of the mission Lauchlin Currie, a new dealer economist previously employed as advisor during the administration of Franklin Delano Roosevelt and a member of the Brain Trust of Harry Truman. Currie led all the steps of the mission and prepared the final report, *The Basis of a Development Program for Colombia* (World Bank, 1952). Presented to the World Bank and to the Colombian government in 1950, it marked an important moment both for the World Bank's transition toward development policies and for Colombian economic planning. The general recommendations of the report focused mainly on the increase of productivity, on the agricultural and industrial sectors, on the improvement of the transportation system and the development of housing programs. Consequently, the first loans proposed and approved concerned the creation of hydroelectric plants (1951) and the construction of highways and railroads connecting the main coffee production and industrial sites to facilitate these products' market (1952). After the mission, the bank's advisors became members first of the Colombian Economic Development Committee, a bi-partisan committee in charge of the application of the mission recommendations and then of the National Planning Council, in charge of establishing the main economic priorities to be addressed.

The creation of the Colombian Economic Development Committee in 1950 and the National Planning Council in 1952 aimed at providing strong central management of the development program drafted by the World Bank. The Committee represented the institutionalization of the interplay between local and international experts. World Bank mission had worked with Colombian experts, politicians, and businessmen to collect and organize a vast variety of data to draft its report. Each step of the mission was based on the interaction with local and national leaders. Once the mission ended, Currie insisted on the creation of an independent committee, coordinated by a World Bank advisor, to implement its recommendations. In this way, the development of Colombian economic planning was strongly related to the mission itself, while Colombia turned into a laboratory to implement, discuss, and evaluate international development policies. Through the General Survey mission and its aftermaths, foreign advisors became involved in Colombian economic planning. The well-known dispute between Currie and Albert Hirschman, who became member of the National Planning Council in 1952 (Alacevich, 2014; Sandilands, 2015), has its origins in this organizational framework. World Bank economists were not only external observers, evaluating the economic conditions of the country and proposing programs to be financed, but also the members of the national agencies in charge of the economic planning, involved in their routines and practices, and embedded in the broader political framework of the country. This is why the connections, factions, and alliances that they built during and after the mission were so important in orienting their recommendations and in defining their agenda.

In the 1950 elections, the more radical faction of the Conservative party prevailed, while the Liberal party, hardly hit by the *Violencia*, had not participated. Laureano Gomez became the new President. At the beginning of its administration, the participation of the World Bank economists allowed the Committee a high level of autonomy and power in prioritizing the economic policy. Moreover, both the international and the local experts working in the mission and the

Committee had benefitted from a stable political context, thanks to the strong collaboration between Liberal and Conservative leaders promoted by Ospina administration. The interest groups and associations were also fully supporting the mission aftermath, since they had participated to the mission by orienting the World Bank survey. The shared consensus on the mission experts and the implementation of the Currie report changed with the next Conservative government of Roberto Urdaneta. Urdaneta's ministers started bypassing the World Bank economists, and imposed their agenda onto the National Council. Among the projects proposed there was the construction of a steel plant in Paz de Rio, strongly supported by the government. Currie expressed his doubts about the usefulness of the project, both during the mission and when the project was evaluated by the Economic Development Committee and the National Planning Committee (Currie, 1981; Sandilands, 1990; World Bank, 1952). His disagreement on the World Bank loan for Paz de Rio was one of the elements isolating him from the World Bank advisors and Colombian Government.⁷

In 1953, the contrasts among the members of the National Planning Council were accompanied by a cabinet crisis. The Conservative party was still divided into two currents. A moderate one, close to the former President Ospina and a more radical, close to the President Urdaneta, which included most of the economic Ministers. With a divided government profoundly weakened by the increasing violence spreading in the country, on June 13, 1953 Urdaneta was overthrown by a military coup and Rojas became the new President. Initially Rojas had the support of both parties and was well received also by the World Bank economists acting in the National Council. Writing to Garner, Jacques Torfs explained that the transition had been peaceful and "the new Government has not so far displayed any tendency to embark on new economic and financial policies."⁸ As long as he showed the willingness to maintain the ongoing economic planning, the bank did not contrast Rojas. Nonetheless, Rojas' coup d'état redefined the organizational framework of the relations between the bank and the central government. Both Torfs and Hirshman, asked for a new bank's mission to "make contact with the new people in power."⁹ The reaction of the two economists of the bank was also linked to the factions inside the Council. They had repeatedly reported to the bank management in Washington that Currie and Toro were jeopardizing their work. The new regime was about to change completely the Council's configuration, and they hoped that these changes would have produced a more efficient functioning of the Council. Thus, as long as the regime intended to keep on implementing their recommendations, they were willing to collaborate with it.

Rojas' regime, unfolding in the middle of the implementation of the Currie report, reset the configuration in which the World Bank economists were working. It was welcomed as an opportunity to solve some internal issues in the national Council: it did not worry the World Bank, since it was initially supported by the parties and by the interest groups, to soothe the political and social tensions. Rojas himself reassured the bank as of his willingness to go on with the Currie report. At the beginning of the regime, thus, the international economists did not change their interaction with the central government. The recurrent expression in their reports to Washington was that the World Bank development program would not be affected by the regime.¹⁰

3. *Rojas and the Conflict Over the Cauca Valley Corporation (1953–1958)*

The optimism shared by the World Bank economists in Bogotá and Washington about Rojas was due to his solid consensus, both among the parties and among the economic groups (Henderson, 2001, pp. 367–368). The National Association of Colombian Industrialist (*Asociación Nacional de Industriales* – ANDI), especially, welcomed the regime as the solution to the social unrest, in a broader framework of continuity with previous Conservative governments. However, in 1954 his domestic opposition started growing. Socio-economic interest groups turned back Rojas, because of his failure to end the *Violencia*. The Liberal party, under the leadership of ex-President Lleras Camargo, organized the opposition and called for reconciliation with Conservatives against the regime. Rojas responded by concentrating further his power. The state of siege was in force and the President was empowered to rule by decree. Instead of looking for the collaboration of the political leaders, he tried to unhinge the traditional political system based on the two main parties, and affirm a sort of Peronist government, looking for the consensus of the urban masses and stronger support of the Army (Echeverri Uruburu, 1987).

Once the local groups started opposing the regime, the international economists became part of the conflict. As expected by Hirschman and Torfs, Rojas replaced most of the experts involved in the General Survey Mission and working within the National Planning. Currie had already left in 1953, Toro had to quit in 1954, because of his accusations toward the regime. However, having Toro and Currie out of the picture did not ease up the position of the World Bank economists. Instead, they were soon disappointed by the collaboration between the Planning Council and Rojas' new Ministers. The Council became almost powerless, and was no longer decisive in choosing further projects to be financed, nor in deciding how to implement the program already in place. In September 1953, Hirschman reported that

For the time being nothing has come of the proposed re-organization of our work and conditions continue to be rather unsatisfactory. [...] the Council, as presently composed, has very little influence on important policy decisions.¹¹

On a national level, therefore, the changes introduced with Rojas started jeopardizing the country relations with the international agencies. While the bank did not oppose the regime based on its illiberal character, its advisors in Colombia denounced the difficulty of influencing the regime's economic policies.

In this configuration, local experts tried to overcome the regime and proposed to the World Bank and US advisors alternative projects to be funded. The Cauca Valley is an excellent example of this dynamic. Since 1953, some representatives of the Cauca regions requested the intervention of the World Bank and of David Lilienthal to finance the development of the region, based on the experience of the American TVA. As reported in the first section, Cauca businessmen, linked in particular to the agro-industry of coffee and sugar, achieved in getting the involvement of international experts around the application of a development program for the region already in the 1920s. In 1928, the Department obtained a US technical assistance program and the same year the Palmira Agricultural Station was inaugurated, aiming at conceiving agricultural methods able to foster the production

(Valencia Llano, 2016, pp. 50–51). In the 1940s, the industrialists and politicians of the Department of Cauca pushed for the increase of the production of the electricity in the region. At the same time, the leading agricultural factories were mechanizing the production, such as the abovementioned Eder family, who owned La Manuelita, the most important sugar firm in the region. In 1943, Ciro Molina Garces, Director of the Palmira Agricultural station, who would become Secretary of Agriculture of the Department of the Valley, hosted an agricultural mission of the Rockefeller Foundation (Lorek, 2013). Two years later, he hosted a New York consulting company to study the possibilities of building a hydroelectric power station in the region. Finally, in 1949, the Department of the Valley hired a study of local engineers to develop a project to electrify the area (Orihuela, 2018; World Bank, 1955).

In the Forties, therefore, Caucan economic and political elites, as well as agricultural scientists had already built international connections in the pursuit of the modernization and electrification of the rural areas. These projects became progressively part of a larger and far more ambitious program. José Castro Borrero, one of the city's most important industrialists, former mayor of Cali, and head of the Cali branch of ANDI, proposed the idea of creating a regional agency promoting the development of the Valle del Cauca through the exploitation of agricultural and water resources. Since the national government did not pay sufficient attention to the specificities of the region, Castro considered the centralization of economic policies an obstacle. On the other hand, Departments excessively divided the control of the territory, preventing an integrated development. At the same time, there was no administrative precedent for his project in Colombia. This is why Castro turned to US advisors and, in particular, toward the TVA model. In 1951, Castro contacted Milo Perkins, a US Federal official who had taken part in the bank's missions and asked the United States and World Bank intervention to develop a program in the Cauca similar to the one in the Tennessee Valley.

The TVA was among the most important New Deal agencies, created to foster the regional development of the Tennessee Valley through the exploitation of its natural resources. The pillars of this model were the implementation of hydroelectric and agricultural projects managed through a federal-owned corporation, the TVA. TVA's main goal was the development of a region strongly affected by the Great Depression. For this reason, it served both as a major supplier of electric energy, but also as a regional development agency, financing agricultural and flood control projects in the region. David Lilienthal, the first chairman of the TVA, diffused the TVA model, first in the United States and then abroad (Grandi, 2013; Ekblad, 2010; Neuse, 1996). On December 29, 1942, he wrote in his journal:

This is International week! Two Russians just left my office, here for several days. [...] They want TVA to design and supervise the manufacture of some 16 hydro-power projects, to be located beyond the Urals [...] Yesterday it was North Africa. The Board of Economic Warfare [...] wants to know if we would assign what I am now calling a TVA "technical task force" to do a look-see job in North Africa [...] Later this morning a Chinese chemical engineer is coming in [...]. And the day after tomorrow the Palestinian delegation returns. (Lilienthal, 1967, p. 579)

The earliest TVA applications abroad started in Mexico in the same period. In 1941 Lilienthal invited Mexican agronomists to visit the Valley, while a broader apprenticeship program was launched in 1942 (Olsson, 2013, pp. 156–158).

After these contacts, he went to Mexico in 1945 to advise the elaboration of a Mexican TVA that resulted mainly in the Papaloapan River Valley (Poleman, 1964; Schwartz Francisco, 2016). Over the next years, several US agencies had applied widely the TVA model, especially under the Truman's Point Four Program, but without the direct intervention of Lilienthal, who had become chair of the US Atomic Energy Commission. The previous year he had published *TVA: Democracy on the March* (Lilienthal, 1944). The book was translated and sold worldwide (Neuse, 1996). The World Bank pivoted further developments of the global diffusion of the TVA in collaboration with Lilienthal. Starting from 1951, and the World Bank applied the TVA model in several countries in Europe, Asia, and Latin America (Grandi, 2012).

Perkins approached Lilienthal to discuss a development program for the Cauca region. The main features of the Cauca local leaders wanted to import from the TVA were its organization and management. As a federal agency, but alternative to a centralized government of the natural resources, the TVA offered precisely the model of organization that Castro was looking for. It was the answer for a regional economic development program, autonomous from the central government and issued from an international development model, which proved to work not only in the United States, but also in other developing countries. A first step toward the creation of the authority was the Decree-Law 653, passed on March 12, 1953, which promoted the creation of private companies for the production and supply of electricity, exempting them from paying tax on the assets of other national taxes.¹² Since the production of electricity was the core of the economic and productive activities of the CVC, the law seemed to offer a fertile milieu for the establishment of an autonomous corporation. Right after, ANDI invited formally Lilienthal to visit the country and advice on the project. Once again, foreign advisors were called to Colombia by local interest groups and economic associations, which replaced the central government in negotiating with international agencies.

After his first visit, Lilienthal found that the Cauca Valley had all the characteristics for an application of the TVA model: the size of the region, its topography, the river system, and the agricultural structures. CVC could have been the tool to modernize the region, favoring a more efficient exploitation of the territory, and rebalancing the strong disparities in terms of land concentration and access to water, agricultural, and energy resources. Lilienthal's first report proposed a development program for the Cauca Valley, financed by international agencies and by the central government. He insisted from the very beginning on the establishment of a regional agency, with an autonomous administration, but as part of a national project, as it had been for the TVA. He also insisted on the need for placing the management of the new agency under the local leaders who had requested his advice. He recommended that

the group of leading individuals in the Cauca Valley with whom [he] consulted on [his] trip be given the opportunity to take the initiative [...] and secure the cooperation of the World Bank.¹³

It was a clear endorsement of Castro and the other local leaders who called for his advice. The Vice President of the Bank, Robert Garner, supported the idea and agreed with Lilienthal to proceed with a plan for the creation of the

Cauca Valley Corporation.¹⁴ Thanks to the support of Lilienthal and the favorable opinion of the World Bank, CVC was effectively created as an autonomous administrative body in October 1954. An ad hoc legislation, approved by the National Assembly, allowed such entities to have access to national and international financing.¹⁵ Lilienthal pressed for the support of the central government, since it was necessary to provide substantial initial funding that could not be fully covered by international agencies. He emphasized these needs in his first reports to the Colombian government and the World Bank, immediately after his visit to the region. His report of August 1954 insisted on the structure that the entity had to assume as a prerequisite for its intervention: "I am assuming that Colombia will promptly set up a regional agency authorized by the Government to enter into contracts and arrangements."¹⁶ Lilienthal was indeed scared that the central government could "kill the idea" of such a corporation, because "it would upset their own centralized planning" (Lilienthal, 1964, p. 499).

The first obstacles to CVC arose in the broader contrast between Rojas and the traditional parties. In February 1955, the World Bank economist Harold Larsen was in Cali to participate in a new World Bank mission specifically designed to propose new loans to electrification projects. He reported to Washington that

Rojas favored the formation of a new political party, called *Mision de Accion Nacional* (MAN) because he felt that his Government which is largely military, could not count upon the electoral support of either the Conservatives or the Liberal. The idea seems to have been produce a political alignment rather along Peronistas lines, that is a military government drawing its ballot-vote support from workers rather than from the traditional political groups.¹⁷

This turn of the Rojas regime, which was losing the support of the traditional parties and tried to obtain consensus on a different political basis, had an important and unforeseen consequence in the Cauca region and for the development of its regional program. Diego Garces had become the chair of the CVC, and was at the same time the Governor of the Cauca Department. He had to receive on January 26 a delegation from the new party, *Mision de Accion Nacional*, but refused to pay for the expenses connected with the delegation trip to Cauca. The government called him and asked to go back on his decisions. Upon it, Garces resigned, to show his disagreement. Given the rising opposition to the regime and the parallel support to the Cauca leader as the promoter of the "Lilienthal Plan" for the Cauca Valley, the Government's attempt to impose its line on the domestic opposition failed. As reported by Larsen, after Garces' resignation,

A popular plebiscite followed, supporting Diego Garces' attitude and many organizations such as ANDI, Chamber of Commerce etc., sent telegrams to the President asking him not to accept [them]. If it had not been for Diego Garces' activity in promoting the "Plan Lilienthal" and his position as Chairman of the Board of Directors of the Cauca Corporation he would have been dropped from public office.¹⁸

Lilienthal confirmed the point in his journal:

it was the Cauca development that provided the great strength that enabled Diego to win; otherwise he surely would have been dropped and the Peronistas would have won. So now it was a political asset to be for the Cauca idea – which is what happened in the Tennessee Valley as a result of TVA. (Lilienthal, 1964, p. 611)

This event shows that international advisors started playing a fundamental role in supporting the domestic opposition against Rojas. After resuming his role as Governor, Garces tried to mobilize international experts to get their support. In April, he wrote to Lilienthal and the bank economist in Colombia Albert Waterston asking for direct help to have the Chart of the Corporation approved by the central government. He was particularly worried about the CVC Board: if the central government had intervened in the Board composition, CVC would have lost “the indispensable stability and freedom from political change.”¹⁹ Lilienthal responded immediately by writing to the same Rojas, emphasizing that the CVC should have been free

from small-gauge and potty political pressures, which could poison the grand vision, drive away technically able people, destroy business and public confidence and dilute, if not destroy the World Bank interest in the enterprise.²⁰

While Lilienthal openly supported Garces, the World Bank management decided to assume a neutral position in the conflict, so as to not jeopardize its involvement in the national development program. Garces tried to overcome this issue asking the World Bank economists not to abandon him “to the wolves in Bogotá,”²¹ but the bank did not oppose to Rojas decision to cancel the national funding for the CVC.²² As Lilienthal reported

It was rather clear that serious troubles had overtaken the child Corporacion Autonoma Regional del Cauca. The long delay in approving the charter [...] the growing antagonism of some of the Ministers [...]; Diego's [Garces] defiance of the President; [...] put these things all together and the outlook was not good. (Lilienthal, 1969, p. 14)

Garces tried to get other international funding, demanding the technical assistance of the United Nations and the FAO,²³ but at the end of 1955 dismissed from Governor of Cauca to show his opposition to how the government dealt with the project. He retained his position as head of the CVC board, and tried to get both the World Bank economists on his side, since Rojas was attempting to channel the resources allocated to CVC toward other projects:

The Nation has not come forward with the financing [...]. Several things have been raised in Bogotá, though never in discussion with us. [...] Undoubtedly, persons with axes to grind have been working on the President and stirring up doubts in his mind [...]. Undoubtedly, there exists competition for other projects [...]. Our position in Bogotá is in [...] more favorable than it has been in the past. We have two Ministers, Gabriel Velasquez [...] now Minister of Health and the new Minister of Fomento, Colonel Mariano Ospina Navia [...].²⁴

Lilienthal's account of these events shows his pessimism toward a positive solution of the crisis: “There is certainly a bad crisis in Colombia for ‘El Plan Lilienthal’. [...] Apparently the President wants the money for the [CVC dams] to go to some pet scheme of his in Boyaca” (Lilienthal, 1969, p. 102). Despite the support of Lilienthal, the government did not change his position and the World Bank, although favorable to CVC, decided again not to influence the approval of loans under evaluation. Because of this further twist, Lilienthal terminated his relations with the CVC, scared to be caught in a “series of stalls” (Lilienthal, 1969, p. 103).

The conflict between Rojas and the Cauca leaders was played on the ground of international development plans. While Garces and the other members of the CVC Board did not succeed in getting national funds from Rojas, the support of Lilienthal was used to fight the intrusion of the central government into the CVC regional framework. Rojas succeeded in blocking the enterprise during his government, but he could not avoid the creation of an alternative administrative power competing with the central government. In the meantime, new credits from US assistance programs were opened, such as the Public Law 480 scheme. Approved in 1954 to assist foreign countries with food and raw materials in surplus in the United States, it involved also broader policies of economic and technical assistance (Grandi, 2015). Another international advisor working in Colombia, George Kalmanoff²⁵ described the program at the US embassy in Bogotá in his report “North American Funds in the Country Available for Loans.”²⁶ The CVC management saw immediately in this program a huge opportunity. Once again, the connections built among the international advisors proved to be fundamental.

Following the fall of Rojas Pinilla's regime in 1957, negotiations between CVC representatives and the government resumed, allowing the government to use these credits to start CVC's activities:

The P.L. 480 funds will come as a loan on the very favorable terms given by the U.S. government. It would of course have been better to get them as a grant [...] but considering the present dearth of domestic funds we can account ourselves very fortunate to obtain at all such sizable assistance.²⁷

The fall of the Rojas regime was also well received by the World Bank. A new agricultural development program was in preparation and would have also concerned the CVC. The US ambassador, indeed, told Garces that

There [was] a good chance of a prompt renewal of Bank operations in Colombia, [and they were] among the best prospects for an early loan.²⁸

Cauca leaders' connections with international economists proved to be the main feature enabling the implementation of a TVA for Colombia. Not only did they advise on the organizational and technical framework of the corporation, allowing the well-known transfer of the TVA model in development countries (Ekbladh, 2010), but their agency was fundamental in the negotiations with the Rojas regime.

CONCLUSIONS

This account has allowed identifying three main aspects in the World Bank and Lilienthal's intervention in Colombia after the coup d'état. First of all, their interplay in the conflict between Rojas and his domestic opponents. The misadventures of the “TVA for Colombia” and its final outcome showed that international economists acted as a counter power to the regime. They were used as a tool by the interest groups in a moment in which their influence was threatened and the traditional political channels seemed ineffective. While he did not directly contrast the international development programs, in his search for a popular consensus alternative to the traditional parties, Rojas exacerbated the contrast with Cauca local elites and

undermined CVC regional development plan. Lilienthal ended up by siding Rojas' opponents and promoting the financing of the CVC development program. To understand what made local elites able to mobilize international advisors, we need to take into account the broader Colombian political context, as well as the inter-American economic networks in the long run, described in the first section. Indeed, the conflict on CVC showed the strength of traditional parties, business associations and local powers. As well phrased by Albert Berry: "Colombia's traditional political system showed [...] with Gustavo Rojas Pinilla that dictator-style figures could be invited to leave as quickly as they take power" (Berry, 2004 191–192).

The second aspect concerns the different way the World Bank and Lilienthal approached the conflict. Lilienthal explicitly supported the CVC and the conflict between its managers and Rojas contributed to his final decision to terminate his advising in the country. Instead, the World Bank economists kept a more neutral attitude toward the regime. Rojas jeopardized the bank's economists by replacing the Colombian experts who started the negotiations and bypassing the Council advising in prioritizing the economic planning. However, the bank wished to go on with its first development report in the country chosen as a "demonstration area" for its early policies. Neither the World Bank economists in Bogotá, nor the World Bank management in Washington wanted to renounce to the implementation of the program based on Rojas' domestic conflicts. The issues concerning the internal functioning of the National Council, as well as the worsening of the economic conditions of the country, appeared more relevant in orienting the loans' approval.

The last important aspect of the interplay between local actors and international economists is the creation of a technical and technocratic group of local experts leading the economic planning, both in regional administration, such as the CVC and in the national government. The economic planning agencies are among the most important heritage of the Currie mission in the country, since they became the key institutions channeling international loans and orienting the economic policy. Rojas exclude the Colombian experts involved in the early World Bank's loans, but their role was resumed and strengthened after the fall of the regime.

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NOTES

1. The recent book by Amy Offner (2019) describes how the Corporación Autónoma Regional del Cauca (CVC) implemented the agrarian reform under the Alliance for Progress program.

2. Quoted by Murillo (2011, p. 47).

3. United States Department of State, Foreign relations of the United States (1948), The Western Hemisphere, The Ninth International Conference of American States, held at Bogotá, Colombia, March 30–May 2, 1948, p. 45.

4. United States Department of State, Foreign relations of the United States (1948), The Western Hemisphere, Colombia, pp. 440–442.

5. United States Department of State, Foreign relations of the United States (1948), The Western Hemisphere, Colombia, p. 466.

6. For a description and analysis of the mission see [Mason and Asher \(1973\)](#), [Alacevich \(2009\)](#), [Sandilands \(1990\)](#), and [Grandi \(2017\)](#).

7. On the tensions between Currie, the Bank's advisors and management and the Colombian agencies in charge of evaluating the projects to be financed see [Alacevich \(2009, 2014\)](#), [Sandilands \(1990\)](#), and [Adelman \(2013\)](#).

8. Jacques Torfs to Robert Garner, June 17, 1953, General Files, 1947–1970, Operational Correspondence – 1. Colombia – General – General Negotiations, World Bank Group Archives.

9. Albert Hirschman to Albert Waterston, June 30, 1953, General Files, 1947–1970, Operational Correspondence – Colombia – General – General Negotiations, World Bank Group Archives.

10. See for instance Albert Hirschman to Albert Waterston, June 30, 1953, General Files, 1947–1970, Operational Correspondence – Colombia – General – General Negotiations, World Bank Group Archives: “I doubt very much that the programs for which Bank loans have been granted will be affected.”

11. Hirschman to Knapp, September 16, 1953. Albert O. Hirschman Papers, Series 4: Research Projects, International Bank for Reconstruction and Development, Advisor to the National Planning Board of Colombia, Memoranda Chronological, Box 39, Folder 2. For the institutional changes in the National Planning Council see [Alacevich \(2014\)](#) and [Grandi \(2017\)](#).

12. Retrieved from [http://www.suinjuriscol.gov.co/clp/contenidos.dll/Decretos/1857178?fn=document-frame.htm&f=templates\\$3.0](http://www.suinjuriscol.gov.co/clp/contenidos.dll/Decretos/1857178?fn=document-frame.htm&f=templates$3.0)

13. David E. Lilienthal, “Recommendation on the Establishment of Regional Development Authorities by the Republic of Colombia,” an informal report submitted upon invitation of the President of the Republic His Excellency General Rojas Pinilla,” June 25, 1954, pp. 11–13. David E. Lilienthal Papers, Series 18: Correspondence and Related Materials, Subseries 18B: 1953–1954, Colombia CVC, Box 378.

14. Lilienthal to Garner, Memorandum 24 August 1954, General Files, 1947–1970, Operational Correspondence – Colombia – General – Technical Assistance, World Bank Group Archives, Washington, DC.

15. Decreto Ley 3110 por el cual se crea la Corporación Autónoma Regional del Cauca, de acuerdo con el Acto legislativo número 5 de 1954 (October 22, 1954).

16. David Lilienthal to Robert Garner, General Files Operational Correspondence – Colombia. Records of Latin America and Caribbean Regional Office, World Bank Group Archives.

17. Larsen to Knapp, February 10, 1955, Projects and Programs 1947–1970, Colombia – Technical Assistance, Cauca Valley, World Bank Group Archives.

18. Larsen to Knapp, February 10, 1955, Projects and Programs 1947–1970, Colombia – Technical Assistance, Cauca Valley, World Bank Group Archives. See also [Jackson \(1972\)](#).

19. Garces to Waterston, April 26, 1955, Projects and Programs 1947–1970, Colombia – Technical Assistance, Cauca Valley, World Bank Group Archives.

20. Lilienthal to Rojas, April 27, 1955, Projects and Programs 1947–1970, Colombia – Technical Assistance, Cauca Valley, World Bank Group Archives.

21. Garces to Waterston, July 13, 1955, Projects and Programs 1947–1970, Colombia – Technical Assistance, Cauca Valley, World Bank Group Archives.

22. Rojas had announced in January 1955 the allocation of 70 million pesos to the CVC. El Pays, January 21, 1955.

23. Garces to Clapp, October 17, 1955. Series 19: Chronological Files, 1955–1956, David E. Lilienthal Papers, Public Policy Papers, Department of Special Collections, Princeton University Library.

24. Garces Cordoba to Lilienthal, June 16, 1956. Series 19: Chronological Files, 1955–1956, David E. Lilienthal Papers, Public Policy Papers, Department of Special Collections, Princeton University Library.

25. Kalmanoff had arrived in Colombia as a consultant to CEPAL and remained in the country as a private advisor, together with Albert Hirschman. See [Adelman \(2013\)](#).

26. George Kalmanoff, "North American Funds in the Country available for loans for Economic Development," Projects and Programs 1947–1970, Colombia – Technical Assistance, Cauca Valley, World Bank Group Archives.

27. Garces Cordoba to Waterston, June 25, 1957, Projects and Programs 1947–1970, Colombia – Technical Assistance, Cauca Valley, World Bank Group Archives.

28. Garces to Waterston, January 30, 1958, Projects and Programs 1947–1970, Colombia – Technical Assistance, Cauca Valley, World Bank Group Archives.

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CHAPTER 5

THE POLITICAL ECONOMY OF THE INCOME DISTRIBUTION CONTROVERSY IN 1970s BRAZIL: DEBATING MODELS AND DATA UNDER MILITARY RULE

Alexandre F. S. Andrada and Mauro Boianovsky

ABSTRACT

This chapter investigates the political and economic contexts of the controversy about the causes of the increase of income concentration in Brazil during the 1960s. That was the most important economic debate that took place under the military dictatorship that ran the country from 1964 to 1985. The perceived sharp increase in income inequality posed a challenge to the economic legitimization of the military regime, which had by the early 1970s achieved high rates of economic growth. This chapter discusses the apparent paradox of relatively open economic debate during a period of political repression, as well as its international dimension as reflected in the role played by institutions such as the World Bank.

Keywords: Authoritarianism; income distribution; controversy; censorship; Brazil; economists

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INTRODUCTION

In 1960 the Brazilian government carried out a social and economic census that collected, for the first time, detailed information about individual incomes. Ten years later another census took place, which also gathered data about personal income. The Brazilian government began releasing preliminary results from the 1970 census in 1971.¹ Social scientists would finally have robust data to analyze Brazilian income distribution over a time span. [Rodolfo Hoffmann \(1971\)](#) and [João Duarte \(1971\)](#) – consolidated in [Hoffmann and Duarte \(1972\)](#) – were the first Brazilian scholars who discussed the data. The topic was also investigated at the time by American economist [Albert Fishlow \(1972\)](#). Numbers showed an increase of inequality in Brazil between 1960 and 1970. Fishlow, Hoffmann, and Duarte believed that this resulted mainly from economic policies – particularly a minimum wage squeeze, together with stimulus to capital-intensive projects and production of durable consumption goods through credit and tax subsidies to capital – implemented by the Brazilian military rule after the 1964 coup d'état ([Fishlow, 1973](#)).

At a speech at the UNCTAD meetings in Santiago in April 1972, Robert McNamara, President of the World Bank, singled out Brazil as the main example of a country incapable of transforming high economic growth rates into improvement in the welfare of the poorest segments. [McNamara's \(1981, chapter 9\)](#) speech attracted worldwide interest and was instrumental in igniting the Brazilian controversy over inequality, which became the most debated economic issue in Brazil at the time ([Hirschman, 1981, p. 22](#)).

Our goal is to reconstruct the limits and circumstances of public and academic debates on the theme in the early-mid 1970s. In order to build a narrative, archives from the press were used. We also interviewed the protagonists of the 1970s distribution controversy. Despite the authoritarian environment, even the critics of the regime agreed that there was some degree of freedom to discuss the issue. Hoffmann stated in correspondence of January 25, 2019 that the Brazilian government “did not get to the point of attacking every researcher ... who criticized the regime,” but it would impose obstacles for those who were unpleasant to it.

The apparent paradox of a relatively open economic debate that challenged economic policy, amidst a period of political repression, is solved if some factors are considered. McNamara's criticism had the character of an institutional appraisal from the World Bank, which Brazilian policy-makers could not simply ignore or silence. Brazil was going through its fifth year of economic “miracle” in 1972, with average annual rates of GDP growth around 10%. Brazilian military regime was aware that its legitimacy depended on economic performance. Hence, pro-government economists and officials reacted strongly to the charge that the economic welfare of large parts of the population had not improved (see [Betthell & Castro, 2008, p. 198](#); [Skidmore, 1988, pp. 143–144](#)). Moreover, Delfim Netto and other government officials thought they had the best side of the argument, as represented by [Carlos Geraldo Langoni's \(1972, 1973a\)](#) attempted demonstration that increasing inequality was the market (temporary) effect of economic growth under conditions of skilled labor scarcity.

Indeed, the regime's policy-makers – Roberto Campos, Antonio Delfim Netto, Mário Henrique Simonsen, and João Paulo dos Reis Velloso – were also scholars who valued economic discussion. Campos had a master's degree in economics from George Washington University (1947); Velloso had a similar degree from Yale (1964). Simonsen was a leading professor at FGV-Rio (Fundação Getúlio Vargas) since the 1960s. Delfim Netto started his career as professor at USP (Universidade de São Paulo) upon writing a doctoral thesis in 1958, and kept close ties with the university, having a group of young protégées known as the “Delfim Boys,” which at some point included Langoni. The other protagonists in the controversy were young economists who had recently obtained their PhDs from prestigious American universities or finished graduate studies in Brazil. Edmar Bacha received his PhD from Yale (1968); [Langoni was the first Brazilian to obtain a PhD in economics from Chicago \(1970\)](#); Pedro Malan went to Berkeley (Fishlow was his advisor) and finished his PhD in 1973. They were part of the first big wave of Brazilian economists who obtained postgrad titles abroad, and they all worked at universities or government agencies like IPEA (Institute of Applied Economic Research). As Bacha told us in correspondence of December 7, 2018: “my PhD protected me.” Hoffmann submitted his professorship thesis (“tese de livre docência”) in 1971.

Analytical surveys of the controversy may be found in [Bacha and Taylor \(1978\)](#), [Malan \(1979\)](#), [Ramos and Reis \(1991\)](#), and [Hoffmann \(2018\)](#), with attention to the empirical relation between growth and distribution – the famous “Kuznets curve,” as it has been called since the mid-1970s. Our objective is not to assess the debates, but to discuss how they took place under a military dictatorship. Two recent doctoral dissertations by [Souza \(2016\)](#) and [Morgan \(2018\)](#) have provided new insights about long-run income distribution in Brazil. Section 5.2.3 of [Morgan \(2018\)](#) and Section 2.6 of [Souza \(2016\)](#) partially overlap with this chapter, with their concern with political aspects of the controversy.² [Lopes \(1973\)](#) provided a contemporary perspective on how the restrictions imposed on open demands by social groups involved in the income distribution process turned the discussion into a “private debate” between economic experts, which then became “public” in a limited controlled way as it was reported on the press, reverberated in the Congress or attracted intellectual groups in the meetings of SBPC (Brazilian Society for the Advancement of Science) and ANPEC (National Association of Centers for Graduate Economic Studies).

Brazilian military regarded themselves as “democrats.” In order to maintain a positive image abroad, they tried to avoid an overt military dictatorship. Elements of representative democracy were kept. It is tempting to imagine that either a country is a democracy in which there is absolute freedom of opinion, or it is a dictatorship where no disagreement is allowed. Things are usually more complex. The Brazilian dictatorship maintained a veneer of democracy, with functioning Congress (although emptied of powers) and opposition party. However, the attempt to keep “democratic respectability” gave way, in December 1968, to the Institutional Act no. 5 (AI-5), which suspended the rule of law and *habeas corpus*, sharpened censorship, and increased torture ([Betthell & Castro, 2008](#), pp. 172–173, 195; [Gaspari, 2002, 2003](#); Skidmore, 1988, pp. 82–83, 112–114; [Stepan, 1973](#)). AI-5 remained in force for 10 years, including the period of the distribution controversy.

Censorship was a reality.³ For instance, Celso Furtado had a paper about the influence of race on income distribution, submitted to *Opinião* in 1972, censored (Furtado, 2014, pp. 513–518). In that same year, the Sunday supplement of *Jornal do Commercio*, with articles by critical economists about income distribution, was held back and destroyed (Caldas, 2003, pp. 15–16). In 1977, the weekly *Opinião*, founded in 1972, became financially infeasible because of censorship and had to close. *Cadernos de Opinião* (later *Ensaios de Opinião*) circulated between 1975 and 1979. *Jornal do Brasil* (JB), *O Estado de S. Paulo*, *VEJA*, and other outlets also suffered from censorship. They implemented self-censorship to keep operating. The political debate was also limited. In 1969, 79 federal deputies – including even members of the ruling party – were abruptly removed from their positions. Senator Franco Montoro and congressman Ulysses Guimarães stood out for questioning the causes of income concentration. In correspondence with the authors (December 6, 2018), Edmar Bacha recalled how Senator Filinto Müller, leader of the government, surprisingly asked him to explain the causes of inequality.

Although some social scientists and economists were arrested, had to flee the country, or lost their jobs in the aftermath of AI-5, there was a relative degree of freedom of expression in the economic professional debates. At first sight, economists were perceived as “technicians,” who were not directly challenging the legitimacy of the dictatorial regime, but dealing with econometric procedures, Gini index, Lorenz curves, etc., even if critically. However, at closer look, the distribution controversy illustrates how the boundaries of what is seemingly technical and politically neutral are constructed by the actors and institutions involved. Indeed, since the usual channels of political expression were restricted, the “private” conversation among experts, in their debates about income distribution, became an important instrument to articulate criticism of government policy – as economists from both sides now agree (e.g., Hoffmann, 2018; Langoni, 2019).

“THE ECONOMY IS DOING WELL, BUT MOST PEOPLE ARE STILL DOING POORLY”

In March 1970, then President, General Emílio G. Médici, stated that

Despite six years of revolutionary effort, when we look at the reality of living conditions of the majority of Brazilian people, we come to the pungent conclusion that the economy may be doing well, but most people are still doing poorly. (Médici, 1970, p. 5)

A severe drought was hitting Brazilian Northeast, the poorest area of the country. Starving peasants agglomerated in small towns, threatening to loot public depots and privately owned stores in search for food. In a country with 95.3 million people, 68% of Brazilians were classified as “poor.” The president’s confession was in contrast with the pride and confidence of the economic team, led by Delfim Netto (Minister of Finance) and Reis Velloso (Minister of Economic Planning), based on the remarkable rate of economic growth.

In March 1964, when a military coup overthrew President João Goulart's leftwing government,⁴ the economic situation was distressing. The 1963 inflation rates approached 100% a year, while GDP grew only 0.6%. Bad economic situation was used by the "Revolution" – a term deployed by the 1964 coup supporters – as justification for the movement. The rhetoric of the "revolutionaries" referred to the necessity of restoring "economic and financial order in Brazil." During Marshall Humberto Castello Branco term (1964–1967), Octávio Bulhões (Minister of Finance) and Roberto Campos (Minister of Economic Planning) implemented the Government Economic Action Plan. It included short-term measures to stabilize the economy, as well as structural reforms aiming to modernize Brazilian economic institutions (Luna & Klein, 2014, pp. 191–199; Skidmore, 1988, pp. 31–39). Economic performance during that period, however, was mediocre, with GDP growing below the 1948–1962 average.

With the inauguration of General Arthur da Costa e Silva's (1967–1969) term, Antonio Delfim Netto became Finance Minister,⁵ and in 1968 the so-called Brazil's economic "miracle" began. Between 1968 and 1973, average GDP annual growth was around 10%. This outstanding economic performance reinforced the "revolutionary" narrative: an authoritarian government, above populist political interests, was necessary to impose sacrifices on society, in order to create conditions for economic development.⁶

Médici (1969–1974) ruled Brazil during the period of increasing authoritarianism, known as the "lead years" (*anos de chumbo*). Thanks to economic growth and censorship, Médici became a relatively popular president,⁷ while the "Brazilian military regime" became "the standard bearer of those who insisted that only a strong, heavy-handed government could produce the conditions necessary for economic development."⁸ The "Brazilian model" was viewed with eager interest by other developing countries (Fishlow, 1973). The country served as an example for authoritarian regimes that would be soon implemented in Chile (1973), Uruguay (1973), and Argentina (1976). American President Richard Nixon famously stated in 1972: "We know that as Brazil goes, so will go the rest of the Latin-American continent" (*New York Times*, 1972, p. 30).

In 1965 Campos created IPEA,⁹ appointing Velloso as its first director. As recalled by Velloso, in an interview in D'Araújo, Farias, and Hippolito (2005, pp. 23–26), IPEA was a sort of economic "think tank" inside the government, with significant degree of freedom despite occasional pressure from the military. That same year, IPEA signed a cooperation agreement with the University of Berkeley; a first group of American economists was sent to Brazil straightaway in 1965. Upon spending short periods in Brazil between 1965 and 1967, Fishlow became the leader of the group, a position he held until 1968, when the agreement ended by the initiative of Berkeley, dissatisfied with Brazilian political conditions after AI-5. Fishlow kept visiting and studying Brazil after 1968, particularly income distribution. In December 1971, at the meetings of the American Economic Association, Fishlow presented the first results of that research. His paper was discussed at a session chaired by Hollis Chenery, who in 1972 would become the World Bank Vice-President for economic development.

McNamara was interested in questions of poverty and income distribution, and established that the World Bank's lending policy should ameliorate the living condition of the poorest sections of underdeveloped countries. However, in 1971 one main obstacle was the absence of data on income distribution in such countries (McNamara, 1991, pp. 82–83). Under those circumstances, Fishlow's research became especially relevant. Having a high quality study for Brazil – a poor country that was experiencing an economic “miracle” and was also one of World Bank's biggest clients – was very useful. That is why Chenery took Fishlow to a meeting with McNamara shortly after the 1971 American Economic Association (AEA) conference (Fishlow in D'Araújo et al., 2005, p. 54).

Fishlow's statistical analysis impressed McNamara, “tipping the scales on a long-run debate” at the World Bank over the “seriousness of Brazil's distributive deficiencies and encouraging McNamara to take a tougher line, including holding up a loan” (Kapur, Lewis, & Webb, 1997, p. 240). However, there was a division in the Bank between those who believed Brazil was showing the way forward to other countries, and those who supported Fishlow's arguments (Kapur, Lewis, & Webb, 1997; Fishlow's letter of September 9, 2019). As put by Fishlow in his letter,

by providing the military with the alternative view of the necessity to wait until one could take up distribution issues, Medici succeeded in preventing further deterioration as past deviations in real income grants was subsequently adjusted.

Fishlow's article came out in May 1972. Fishlow (1972, p. 392) claimed that “by American standards of poverty, virtually the entire population [of Brazil] would classify as such.” Using a sort of Brazilian measure of poverty – that is, the minimum wage in the Northeast region as the “lower limit of acceptable income” – he found that 31% of the population lived below that limit in 1970. These extremely poor families were found mainly in the country's low-productivity rural regions. Not only poverty and hardship were widespread, but data also showed that income concentration had worsened over the decade. “The upper 3.2 percent of the labor force commands 33.1 percent of the income in 1970, compared to about 27 percent in 1960” (Fishlow, 1972, p. 399). He used a decomposition of the Theil index to measure the contribution of education, age, sector, and region to inequality. Education was important to explain the degree of inequality, but minimum wage policy played a major role in accounting for changes in distribution throughout the decade.

What bothered the Brazilian government the most was not the fact that Fishlow was showing that inequality had worsened, but the reasons he presented to explain it.

The increased inequality thus measures the failure of the conventional monetary and fiscal instruments applied during the Castello Branco administration. In a larger sense, however, the result was accurately indicative of priorities: destruction of the urban proletariat as a political threat, and reestablishment of an economic order geared to private capital accumulation. (Fishlow, 1972, p. 400)

Delfim Netto, in correspondence of November 27, 2018, expressed the view that “the problem with Fishlow” was his perceived “disloyalty.” He “had access to data provided by the government,” thus he should have, at least, submitted his

results to an analysis, so that some sort of replication could be “published along with his article.” Roberto Campos shared that feeling:

I was angry with Fishlow because he was part of the Howard Ellis’s mission from the University of Berkeley that had been hired to give me technical assistance in the Economic Planning Ministry. Instead of formulating corrective recommendations and discussing them with me at that time, he made his academic critique years later. Those critiques fed the left-wing literature, which started to talk about “wage squeeze” and “distributive injustice.” It even came to the absurd claim that there was a deliberate intention of the Castello Branco government to annihilate the unions in order to reduce workers’ share in national output. (Campos in [Biderman, Cozac, & Rego, 1996](#), pp. 45–46)

Concerning data, Fishlow recalled (in correspondence of September 9, 2019) that

the only data I took [to Berkeley] with me was the sample I had drawn from the never published 1960 census, and from which my 1960 distribution is based. I did not take the extensive tapes from which the final census permitted Langoni’s calculation. I was operating with preliminary published results, generally available.

[Hoffmann and Duarte \(1972\)](#) obtained results close to Fishlow’s. One of their main conclusions was that “50% of the paid population” in Brazil had a monthly average income so low that one “can consider them outside organized consumer markets.” Moreover, not only had inequality increased, but also “per capita income of this [poorest] part of the population may have suffered some reduction,” and “in the subsequent three deciles, average incomes have had negligible increases” ([Hoffmann & Duarte, 1972](#), p. 58, 60).

If the criticism of the “Brazilian model” had been restricted to academic circles, its impact would probably have been less profound. Things changed on April 1972, when Robert McNamara said at his UNCTAD speech:

In the last decade Brazil’s GNP per capita, in real terms, grew by 2.5% per year, and yet the share of the national income received by the poorest 40% of the population declined from 10 in 1960 to 8% in 1970, whereas the share of the richest 5% grew from 29% to 39% during the same period. In GNP terms, the country did well. The very rich did very well. But throughout the decade the poorest 40% of the population benefitted only marginally. (McNamara, 1981, p. 174)

Shortly after that speech, Delfim Netto visited McNamara at the World Bank headquarters in Washington. As McNamara vividly recalled in an interview years later,

So Delfim Netto came up here and just gave me hell. The first time he gave me hell because the figures were wrong. Preparing for this meeting I checked back as to the origins of the figures: I learned they were basically Al Fishlow’s, that they were based on tapes that he obtained from the Brazilian government The second time he came, argued “Well, that’s what you’d expect, that they were – the income distribution is skewed because at this stage in our development income is a function of education. You can’t expect to educate all people overnight, so you have skewing.” I said, “Hell, you ought to look at Sri Lanka, whatever. That’s not an answer, clearly” ... The third time he came in he said, “Okay, A, you’re right, the income is skewed; B, it’s not solely a function of education; C, I would agree, you know, it’s mispricing of capital and subsidized interest and all the rest of the stuff.” ([McNamara, 1991](#), p. 83)

Troubled by foreign critiques, the government decided to counterattack.

“LET THE PIE GROW BEFORE SHARING IT”

Even before the Fishlow–McNamara assessment, [Simonsen \(1972a, p. 4\)](#) published a newspaper article in March 1972 with reactions to [Hoffmann \(1971\)](#) and [Duarte \(1971\)](#). He admitted that “statistical evidence, although precarious,” suggested a worsening in income distribution. In a book published few months later, Simonsen reproduced much of what he had said, with a more aggressive rhetoric against the critics. After making some caveats about the quality of the 1970 census, he appealed to a somewhat exotic hypothesis to debunk the results. He assumed that in 1960 the level of tax evasion was higher than in 1970 and that the interviewed population in 1960 used to report an underestimated level of income, in order to make it compatible with what they declared on their income taxes. Consequently – wrote [Simonsen \(1972b, p. 50\)](#) – “the simple fact that the richer classes declare their income with more trustworthiness in 1970 ... could generate an illusion of an increase in concentration indexes.”

Because data was not good, [Simonsen \(1972b, p. 50\)](#) wrote that “the debate on the increase of income concentration from 1960 to 1970 can only be sustained with a fair dose of statistical dishonesty,” which did not preclude analyses of the kind performed by [Hoffmann \(1971\)](#), [Duarte \(1971\)](#), and Simonsen himself. Simonsen, as the intellectual creator of the wage readjustment formula implemented in 1965, admitted that it had provoked “a fall in real wages,” but that trend would have been reverted after 1968 when the formula changed.

[Simonsen \(1972a, 1972b\)](#) claimed that all classes had improved their welfare. “The share held by the poor” in output, “although it has fallen, now corresponds to a significantly larger pie.” He believed it would be possible to improve income distribution through more generous wage adjustment: “The poor classes would increase their share of the pie, but the price would be stagnation, or at least, a brake in the pie’s growth” ([Simonsen, 1972a, p. 4](#)). [Simonsen \(1972b, p. 64\)](#) repeated that argument: “When the pie is small, it is necessary to reproduce the old cliché: it is no use to share poverty before creating wealth.” Simonsen was probably inspired by a phrase introduced in the 1970 edition of Samuelson’s influential *Economics*: “In seeking a *better* division of the pie, you will *reduce the size* of the pie by creating distorting inefficiencies” ([Samuelson, 1970, p. 834](#), italics in the original; see also 767). That is, redistributive policies may not be Pareto optimum (see [Boianovsky, 2019](#)).

The *pie* metaphor was widely used in Brazil, to a larger extent than abroad. Many still remember the motto “let the pie grow before sharing it” (*primeiro deixar o bolo crescer para depois distribuir*) as the official distributive doctrine during the military regime. The phrase is commonly credited to Delfim Netto, something he fiercely denies. He told us in correspondence of November 27, 2018 he believes “the phrase was stupid,” as it could only be applied to a socialist regime in which the “capital goods industry grows without concomitant development of the consumption goods sector.” Even though Delfim never used the pie metaphor – we could not find it in any archives – he occasionally espoused a similar belief. In 1973 he stated: “A poor country cannot ... distribute an income that it does not have ... the basic problem is to grow and distribute the income off a larger production” ([Delfim Netto, 1973, p. 22](#)).

On April 16, 1972, when interviewing Delfim Netto, journalist Joelmir Beting acknowledged that the “pie is growing,” but questioned the “division of the pie’s slices” (Folha de S. Paulo, 1972). Shortly after, on July 2, 1972, JB asked D. Avelar Vilela, vice-president of the National Conference of Brazilian Bishops, his opinion about the “proposition that it’s necessary to make the pie grow first in order to take care of its distribution later on” (p. 43). The thesis that it was “necessary to let the pie grow before sharing it” was seen as central to Langoni’s 1973 book (JB, “A renda mal distribuída,” July 28, 1974). The metaphor became widely and critically used after the publication of the Second National Development Plan, at the outset of General Geisel’s term as President, with its view that distribution should improve together with economic growth. The document (elaborated by IPEA) rejected the “theory of waiting for the pie’s growth” and instead argued for redistributive policies “while the pie grows” (Brasil, 1974, p. 69).

Roberto Campos did not deny Brazilian inequality. However, he believed “this injustice is characteristic of periods of intense capital accumulation.” He defined the critics as “left-wing intellectuals that consider obscene Brazil’s boldness in practicing a capitalistic model of development” (Campos, 1972b, p. 2). According to Campos “the unpleasant truth is that the objectives of social justice and economic development are to a certain point conflicting in the short run,” and that “the acceptance of a high level of income concentration” was “the most rational policy for an underdeveloped country, needy of savings” (Campos, 1972b, p. 2). The “enemy” of the Brazilian growth strategy was exactly “distributionist populism” (Campos, 1972c, p. 50).

Delfim Netto (1972, p. 6) acknowledged that “bad income distribution” was “a fact,” but Brazil had had it forever. He defended the regime by saying that inequality in Brazil was similar to what prevailed “in the USA during the 1930s.” He insisted that the Gini index revealed nothing about welfare, since everybody was getting better, despite higher inequality. Campos, Simonsen, and Delfim Netto all agreed that income concentration was a natural market outcome and that any attempt (besides those already implemented by the government through its social policy; see Skidmore, 1988, p. 144) to “artificially” distribute income would harm growth, leaving only poverty to share. Other authors close to power, such as Kingston and Kingston (1972, pp. 71–72), also posed the trade-off in those terms: “concentration or low average income.”

A “senior officer” from Brazil defined the country in 1973 as “an *economic dictatorship with the support of the military*” (New York Times, 1973, p. 8). The economic technocracy had decided that “the priority” was economic growth. “Growth for its own sake, growth as a panacea for all ills,” while “distributionism has become an enemy of the State,” as Fishlow observed (New York Times, 1974, p. 37). The policy-makers’ reactions were unsatisfactory. Disqualifying the censuses data and the statistical tools used, or claiming that inequality was the unavoidable other side of economic growth, were fragile rhetorical devices. “The government realized that it was necessary to have an academic counterattack ... Delfim understood everything quickly” (Langoni, 2019, p. 52).

Langoni's 1970 Chicago thesis was based on T. W. Schultz's and G. Becker's human capital theory. Its main result was that the return rate of investing in education in Brazil was almost two times the rate observed on fixed capital investment. Back in Brazil, Langoni lectured at two of the most influential schools of economics, responsible for educating the elite of the bureaucracy: FGV-Rio and USP. In São Paulo, he attended regular meetings promoted by Delfim Netto with young staff members from USP. "Delfim was still more an academic than a politician," Langoni (2019, p. 48) recalled:

When Fishlow's paper appeared, Delfim realized that it was serious and deserved qualified discussion. It was not only a question of defending the government's policy. It was necessary to deepen the debate. Therefore, USP staff asked me to prepare a commentary on Fishlow's study At the meeting, I made this connection between these two themes [education and distribution]. Delfim liked it very much and proposed: "Let's do something serious. Langoni, could you do a research on income distribution? We will support you...." The Ministry of Finance formally requested a study from [USP], and I was in charge of doing it. (Langoni, 2019, pp. 48–52)

Shortly after, in June 1972, the weekly magazine *VEJA* published the first results of Langoni's research. One of them, quite relevant for the government's narrative, was that "in none of the [income] brackets, an income decrease was observed – that is, everyone has increased their income, except the illiterate who remained where they were in 1960" (VEJA, 1972, p. 68).

The magazine also featured a short text by Fishlow. In the introduction to the article, the publication warned its readers that "VEJA considers little realistic many of Fishlow's theses" (VEJA, 1970, p. 70). As the press was under censorship, it is difficult to know to what extent such a warning reflected the thinking of the magazine. In the face of poverty and starvation, Fishlow believed that for those people, "the aid should not be postponed into a remote future" (Fishlow in VEJA, 1972, p. 71).

VEJA also interviewed Delfim Netto. The Finance Minister raised doubts both about the quality of the censuses data and the Gini index itself.

It is clear that the ideal of distribution ... is that everyone receives the same wage. This is the ideal of the Gini coefficient, not mine. That should raise a suspicion about this coefficient. (VEJA, 1972, p. 72)

Delfim claimed that it would only be possible to redistribute income if "the Brazilian society decided to reduce economic growth" (VEJA, 1972). Asked by the journalist how he knew Brazilian citizens preferred growth to distribution, Delfim presented *anedoctal evidence*: "this is easy to know, anyone can discover it with their personal contacts ... it is evident that Brazilian society as a whole made an option for development" (VEJA, 1972, p. 74).

A few month after that, Langoni published a paper in USP's academic journal, which is an earlier version of his 1973 book. The impressive pace with which Langoni finished his research was due not only to his capacities, but also to government's assistance.¹⁰ Langoni (1972, p. 5) acknowledged support from two analysts from SEPRO, Brazil's federal data processing service. The Brazilian government also granted Langoni access to privileged microdata, not available

to other researchers.¹¹ The general perception among oppositionists was that Langoni's work – a “study ordered by the Finance Ministry” as VEJA described it – was an official academic response to government's critics.

In November 1972, Langoni (1972b) published a newspaper article summarizing his findings. In the introduction, an anonymous author stated that “following the phase of accelerated growth,” Brazil would reach “a phase in which the growth of per capita income would be associated with lower levels of income concentration.” In the preface to Langoni's book, Delfim Netto noted that income distribution had become one of “the most controversial issues” in Brazil, exactly “at the moment when the success of our model of economic development implemented in 1964” showed its accuracy. Delfim recognized that the publication of the census “allowed us to verify an increase in income inequality between 1960 and 1970” (Delfim Netto, in Langoni, 1973a, p. 13). In a criticism addressed to Fishlow (1972), he claimed that

Some people of little imagination, with more ideology than theory, tried to pin the blame in the economic policies implemented during the second half of the 1960s, with the major responsibility for what has happened. Others ... even suggest a tradeoff between a few percentage points of economic growth for proportional reductions in concentration indexes, a confidence trick (*conto do vigário*) that ends by leaving the country sharing poverty in a more equitable way [...]. Langoni proves that the observed increase in inequality is a direct consequence of the market disequilibrium typical of the process of economic development. (Delfim Netto, in Langoni, 1973a, p. 13)

Langoni (1973a, p. 78) exempted wage policy from any influence, claiming that it is “important to recognize that the minimum wage has been declining in real terms since 1961, and that the policy of wage contention initiated in 1965 and 1966, was an appendix to the anti-inflationary policy.” Moreover, Langoni (1973a, p. 15) argued that “there is a set of forces working in the direction of *increasing* the level of inequality in an economy in which the level of *per capita* income is still relatively low, but where growth rates are extremely high” – a Kuznets's curve-like reasoning (Kuznets, 1955). Langoni (1975, p. 2) clarified that his concern was the “long-run distributional consequences of the economic development process, rather than focusing on specific policy measures.”

The first paper to use the term “Kuznets curve” according to *Jstor Database* was Pyatt (1977).¹² In a newspaper article from December 1973 Langoni cited Paukert (1973), who had shown that the relation between per capita income and the Gini index behaves as a parabola. According to Langoni, “the experience from those countries is irrefutable evidence that the increase in inequality is an unavoidable consequence of the process of economic development.” Since those countries had adopted different economic policies, those who blamed the post-1964 economic policy as the main cause of higher inequality were wrong (Langoni, 1973b, p. 18).

The Brazilian government treated Langoni (1973a) as an official response.¹³ As a consequence, some tried to undermine Langoni's research, treating it as a piece of propaganda instead of scientific work. Fernando Henrique Cardoso, without referring explicitly to Langoni, criticized the “reduced credibility” of those “*status quo* technocratic apologists,” who tried to persuade “the public

opinion” by using “exoteric” mathematical language, and worked to justify “current government and dominant order” (Cardoso, 1975, pp. 9–10). Cardoso also suggested that the sophisticated econometric instruments were only smokescreen, witchcraft to distract the masses from the debate and to please the government. However, Cardoso realized that there were issues that demanded attention, such as the “spurious” statistical relation between education and income distribution.

THE CRITICS

Cardoso’s tone was shared by other critical assessments, which dealt with the following issues:

1. Like Simonsen, Langoni was an apologist of the regime, who used econometrics to deceive people into believing that inequality was a “natural” result, and that only economic growth could provide a proper – and also “natural” – income distribution pattern (Cardoso, 1975, pp. 9–10; Serra, 1973, p. 134; Wells, 1974, p. 9).
2. He ignored explanatory hypotheses other than human capital. For instance, he did not consider the possibility that wage readjustment formula could have had any impact (Wells, 1974, p. 15). Even Simonsen admitted that it was “likely” that the wage policy had reduced real wages, as Fishlow (1974, p. 165) remarked. Moreover, Langoni’s model suffered from omitted variable bias.
3. Causality and the “identification” problem were also discussed. Langoni argued that education decided productivity, which determined remuneration. Critics pointed to the influence of family income on individuals’ schooling years. Fishlow (1972, p. 398) had already observed that the “assumption that inequality is directly affected by the rate of return and number of years of schooling alone is a long leap of faith.”
4. Langoni had privileged access to data; other researchers were not able to replicate his results or to develop a more robust critique of his analysis (Hoffmann, 1973, p. 9; Malan & Wells, 1973, p. 1104).
5. The international evidence that income inequality would decline as income per capita increased was fragile. Langoni overlooked links between personal and functional income distributions, as well as the role of assets ownership in wealth distribution (Fishlow, 1974; Hoffmann, 1973).

In 1972 the weekly *Opinião*, which opposed the government, printed an anonymous article about the economic “miracle.” When analyzing Langoni’s results published by *VEJA*, the author stated:

[Langoni’s] reasoning recalls Simonsen’s explanation that there was concentration of income because of the ‘exuberance of profits’ of the richer classes. In both cases it would be fair to ask whether it was not exactly the opposite that happened ... Are the two economists not calling causes the consequences of the Brazilian economic model? [...] Worse than that, are Langoni and Simonsen not treating public opinion as naive, ready to accept any sophism? [...] Is this contempt not accompanied by the intention of throwing sand in the eyes of those who have them open, so that the ‘miracle’ is not demystified? (*Opinião*, 1972, p. 14)

The publication also reproduced an excerpt attributed to Langoni, a response to the criticism in point (3). Langoni wrote:

Many people believe there is a vicious circle between income and educational opportunity; that is, the individual's social situation determines his access to education. There is no empirical evidence for that. (Langoni in *Opinião*, 1972, p. 14)

Hoffmann (1973, p. 10) pointed out that, in the absence of “political variables” in Langoni’s model, “a fair share of the government’s actions is ‘explained’ by the variable education. (Something one can obtain by using a lot of econometrics!).”

In August 1973, an international conference brought to FGV-Rio some world-famous economists (see Chenery et al., 1974). The conference provided further evidence of the discussion of Brazilian distribution issues in international forums. In his lecture, Myrdal (1974, p. 363) pointed out that “there are people who think it necessary to have a high national income so that a more equitable [income] distribution can be generated, but I disagree with that; the distribution can be made at any stage,” as illustrated by the Swedish Welfare State. Similarly, Chenery (1974) claimed that many of Brazil’s problems had their origin in its unequal income distribution, and argued that it was possible to redistribute income without hurting economic growth.

The first annual conference of ANPEC took place in November 1973 (it is still the most important Brazilian economic gathering), with a session on “income distribution.” Many of the texts were later collected in Tolipan and Tinelli (1975), which gathered together authors critical of Langoni’s thesis – as Langoni said in conversation with the authors on January 18, 2019, he was not invited to participate. Belluzzo (1975) and Tavares (1975) illustrate the use of heterodox economics to discuss Brazilian distribution patterns. The contemporary “Cambridge Capital Controversy,” with its dispute between marginal productivity theory and Ricardian surplus approaches (Harcourt, 1972), provided part of the background for the Brazilian debate.

In its December 1973 issue, *Pesquisa e Planejamento Econômico* (PPE), an IPEA outlet, published a review of Langoni’s book by Malan and John Wells, a British economist who came to Brazil to do empirical work for his 1977 Cambridge PhD thesis, upon a couple of years obtaining his Master’s degree with Fishlow at Berkeley. The tone used by the authors was quite critical:

A year has passed since the limited and confidential circulation of Prof. Langoni’s work, until its presentation to ‘the general public’ as a book Throughout that year the book has become a ‘classic’; that is, a work that (almost) everybody has heard of and (almost) nobody has read, because (almost) everybody is satisfied with the interpretations that suit their idiosyncrasies. (Malan & Wells, 1973, p. 1103)

Malan and Wells (1973, p. 1104) observed that “Langoni’s access to individual data from the 1970 census allowed him – unlike others – to describe the personal income profile for 1970, without the necessity of any adjustment.” In line with Hoffmann (1973), the authors were also surprised that

Langoni simply ignores, in a deliberate way, the existence of alternative interpretations to his own on the causes of the increase of inequality, particularly those that emphasize economic policy throughout the decade.

In Langoni's model, income differences among individuals are explained by five variables: education level, age (as proxy for experience), gender, job, and place of residence. Those variables explain 51% of the variance in personal incomes in 1960, and 59% in 1970. [Malan and Wells \(1973, pp. 1112–1114\)](#) believed the model is “unsatisfactory,” since its “variables leave a substantial fraction of the difference in incomes variance ‘unexplained.’” Thus, the “variables used not only have ... a reduced explanatory power, but it is likely that they are masking the real explanatory variables.” [Malan and Wells \(1973, p. 1120\)](#) believed Langoni's model was more “a *justification* of what effectively happened,” than “a scientific attempt to explain the *causes* of what happened.”

PPE published a reply from Langoni, who would have demanded that it should appear without a rejoinder. The editor published a special issue to accommodate Langoni's request. In the face of such interference, some members of the editorial advisory board resigned from their positions, including Bacha, as he told us in correspondence of December 6, 2018. PPE unilaterally decided that the debate was over. Malan, in conversation with the authors on May 10, 2019, recalled he was “kindly requested” not to publish his rejoinder in PPE, which he did not understand as censorship.¹⁴ The debate would continue in other journals, with [Malan \(1974a\)](#) and [Wells \(1974\)](#). The latter was able to show, by using non-census *annual* data about earnings in industry and services sectors, that the highest increase in inequality took place in 1965–1966 under the new wage policy, not in 1968–1970 when economic growth accelerated.¹⁵

In his reply, [Langoni \(1974, p. 168\)](#) retorted that the explanatory power of his model was “entirely satisfactory,” citing [Griliches and Mason \(1972\)](#), whose model explained less than 30% of income variance. According to Langoni, this and other critiques of his econometric model would only show that the critics “simply did not understand the methodology used” ([Griliches & Mason, 1972, p. 171](#)). In a further reply, [Malan \(1974b, p. 78\)](#) said it was “ridiculous” to answer to that charge, which meant to make him and Wells look “incompetent.” Against Malan & Wells, [Langoni \(1974, p. 77\)](#) claimed that “there is extensive international evidence ... endorsing the model's prediction, that, in the long run, there is a tendency to reduce inequality levels.”

[Malan \(1974a\)](#) observed that the debate was “restricted to a few authors and meager audience,” and that there was a simplistic division between a “scientific” position on one side, and a “political” one, on the other. The “regime” saw Langoni as scientific, while its critics were political and blinded by ideologies. The “opposition,” in contrast, saw Langoni as supporter of the then current economic policy. The first oil shock in 1973 brought the economic “miracle” to an end, although the 1970s average GDP growth rate remained high (8.7%). Nonetheless, the 1980 census would show a further worsening in income distribution, with the Gini index increasing from 0.561 in 1970 to 0.592, despite some reduction of poverty.

[Bacha's \(1974a\)](#) term *Belindia*, coined in a contribution to *Opinião*, became another influential and critical metaphor of the Brazilian economy under the military rule. Brazil was perceived as the combination of a small rich *Belgium* surrounded by a large poor *India*. In Bacha's fable, the “King of Belindia” is bewildered at a visiting economist's revelation that the rate of growth would be low if

the adopted weighting scheme was poor-based and democratic-based, instead of rich-based (see also [Taylor & Bacha, 1976](#), for an analytical take). [Bacha's \(1974b\)](#) own explanation of income concentration was based on the perceived wage squeeze together with the notion that income differentials reflected firms' organizational hierarchy and profit rates instead of skills, as indicated by sample data.

From a statistical perspective, the income distribution debate has been seen as inconclusive, as it is often the case in economics. American economist [Samuel Morley \(1982\)](#) provided what may be regarded as its last (but debatable) installment. A member of the original Berkeley 1965–1967 mission, his conclusions differed from Fishlow's. Morley argued that Brazilian trickled-down economic growth was accompanied by larger social mobility and narrowing of wage differentials, especially after the end of the “miracle” period.¹⁶ The main drawback of the growth strategy, [Morley \(1982, p. 292\)](#) claimed, was political, as democracy was sacrificed to the growth imperative.

Paul Samuelson (1973, p. 871) described the Brazilian military regime in his *Economics* as a “fascist” dictatorship that imposed hardship on trade unions, public intellectuals, and the press – but, unpleasantly enough, was able to accelerate economic growth. That passage was removed from the Brazilian 1975 translation, after pressure from Brazilian economists (Eugenio Gudin and Campos) and the Brazilian publisher in correspondence with Samuelson ([Gaspari, 2003](#), pp. 264–268). However, [Samuelson \(1980, p. 816\)](#) would again refer to Brazil as illustration of “capitalist fascism” featuring “superlative” growth accompanied by “unusual disparity” in income distribution (see [Boianovsky, 2019](#)).

CONCLUSION

The 1960s and 1970s turn to authoritarianism in developing economies that displayed high growth rates made a mark on the evolution of development economics. As put by [Hirschman \(1981, p. 21\)](#), in a “Freudian act of displacement,” development economists “‘took out’ their distress over the political side on the weaker aspects of the economic record,” that is, income distribution. Within authoritarian countries, that was reinforced by censorship that was more rigorous regarding political dissent than economic criticism. The concern with economic injustice, over and above economic growth, became pervasive. The origin of the concern with inequality – which became a main theme in development economics – was the Brazilian controversy of the 1970s, as started off by [Fishlow's \(1972\)](#) findings and McNamara's alarm ([Hirschman, 1981, p. 22](#)). That was also the period when economists shifted from functional to personal income distribution as their main focus ([Sandmo, 2015](#)).

The Brazilian debate illustrates the role of statistical evidence in political controversies. The political economy of numbers comes out in Simonsen's skepticism about the reliability of data, in the interpretation of what the Gini coefficient actually captures, and in the double standards used by the government regarding transparency. This is connected to the ways in which the technical nature of economics was used as a rhetorical weapon. Langoni's access to microdata

allowed him to deploy more sophisticated techniques, which were challenged by the critics. All the same, Langoni's study established once and for all the *fact* of increasing inequality, even if its *causes* remained heavily disputed. As some other participants in that debate, Langoni was trained in the United States. The "Americanization" of Brazilian economics started in the early 1970s was behind the conversation between supporters and critics of the authoritarian regime.

The technical dimension of that debate may explain the role played by metaphors in non-academic discussions and even in official documents. Hence, the *pie* metaphor became a dominant way to express the critical attitude toward the notion of a trade-off between growth and distribution. That metaphor expressed for a broad audience the Kuznets curve hypothesis, contested throughout the controversy. Indeed, aspects of the criticism of that curve have come back recently in broader fashion in Piketty ([2013] 2014, pp. 13–24) and others.

What bothered the Brazilian authoritarian government was not inequality but poverty, which affected political stability. The two issues were often intertwined, as in Fishlow (1972). However, economic growth may take place and poverty may decline despite increase in inequality. That was the official rhetoric. Moreover, it is politically easier to fight poverty than inequality. Whether poverty actually declined during the military regime in the 1960s has remained a moot point. Two contemporary articles by World Bank economists reached different conclusions (Fox, 1983; Pfeiffermann & Webb, 1983). Infant mortality rates increased every year from 1965 to 1973 in the city of São Paulo (Bacha, 1977, p. 64), indicating that the benefits of economic growth did not easily reach the poor sections of the population. The Brazilian 1970s controversy over income distribution proved to be seminal for the political circumstances in which it occurred, its international dimension, and implications for development economics at home and abroad.

NOTES

1. Because of administrative and processing problems, the 1960 census was only published in 1978. Until then, just samples were available.

2. The supervisors were Marcelo Medeiros (Souza) and Thomas Piketty (Morgan).

3. It was not as widespread in the economic realm, though. Delfim Netto told us dialectically that "there was no real censorship in the economic area, because the military hard line hated the ruling 'liberal' and 'pro-market' economic policy ... The more intense the criticism the larger the loss of prestige of policy makers" (November 27, 2018).

4. See Skidmore (1988, chapter 1).

5. See Skidmore (1988, pp. 66–70).

6. See Campos (1972a).

7. See *New York Times* (1971, p. 24).

8. *New York Times* ("Colombia nudging Brazil in economic leadership," September 4, 1972, p. 21).

9. The first name was EPEA – with "E" standing for "*escritório*" (Office) – but it soon changed to IPEA.

10. Langoni had written his PhD thesis in six months.

11. See Morgan (2018, p. 142); *VEJA* (1972, p. 68). In correspondence of February 4, 2019, Hoffmann pointed out that only powerful computers – such as those used by Langoni and Fishlow at SERPRO and Berkeley University, respectively – were able to process microdata at the time.

12. Abramovitz (1986, p. 243) cites Bacha (1979) as a pioneer in the “Kuznets curve” empirical literature.

13. Simonsen (1973, p. 43), for instance, praised Langoni’s book in a review.

14. Malan mentioned that episode in D’Araújo et al. (2005, pp. 63–64).

15. This has been confirmed by Souza’s (2016, chapter 6.2) and Morgan’s (2018, chapter 4.1) investigations, based on annual income tax data, which indicate an increasing share of top incomes from 1964 to 1971.

16. Morley (1982) referred to Pastore (1979), who used age-specific income distribution data to argue that there was upward social mobility in Brazil both between and within generations, despite the increasing Gini index. Then Minister of Finance Simonsen (1978) claimed that, if corrected by age factors, the (adjusted) Gini index increased little in the 1960s, which raised criticism from anti-government economists.

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CHAPTER 6

FOREIGN CONSULTANTS, RACIAL SEGREGATION AND DISSENT: J. L. SADIE AND 1960s SOUTHERN RHODESIA

Tinashe Nyamunda

ABSTRACT

Focusing on Johannes L. Sadie, a South African economist hired to investigate the economic options of Southern Rhodesia at the time of the Unilateral Declaration of Independence (UDI), this chapter examines the historical, ideological, pedagogical, and international influences of the intersection between economic discourse and racial ideology. Using the example of the Sadie recommendations, this chapter examines how the changing political context informed the state's approach to the economy. A reading of the context in which Sadie was hired to justify Rhodesia's UDI and provide legitimacy to its economic policies sheds light onto the Ian Smith regime's approach to an alternative post-imperial (but not post-settler) state and economy, but it also speaks of the ways in which economic discourse can be deployed for political purposes by authoritarian regimes.

Keywords: Development; Authoritarian rule; experts, economics; economists; economic history

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INTRODUCTION

Since the development “turn” of the 1950s, economics as a discipline and the work of economists have been increasingly viewed as central to the planning and management of state economies in sub-Saharan Africa (Cooper, 2005, p. 4; Fourcade-Gourinchas, 2001, p. 398).¹ However, understanding their uneven historical effects requires case studies that examine the influence of economics and economists in the planning and managing of specific economies, and their role in imagining different kinds of states and political formations (Jerven, 2013; Young, 2017). The context of this study is that of authoritarianism in a colonial setting, with particular reference to the period of Southern Rhodesia’s Unilateral Declaration of Independence (UDI) between 1965 and 1979. The evolution of what is today Zimbabwe encompassed different types of states and systems of governance: chartered rule between 1890 and 1923, and a self-governing colony since 1923. This was followed by the Federation of Rhodesia and Nyasaland, which broke up in 1963 leading to the independence of Northern Rhodesia as Zambia and Nyasaland as Malawi in 1964. Southern Rhodesia, however, with its politically powerful white population, refused to accept the principle of majority rule, and rebelled against its imperial power, Britain, through a UDI on November 11, 1965, renaming itself Rhodesia thereafter. However, the renaming was never recognized in Britain, so the imperial power kept referring to their recalcitrant colony on all of its official documents as Southern Rhodesia.

The UDI expressed the will of a small group of white settlers who never constituted more than six percent of the colony’s population. Their rule maintained a racially discriminatory limited suffrage and suppressed the political aspirations of the (non-White) majority of the colony’s people. According to Luise White (2015), the Rhodesian rebellion amounted to “unpopular sovereignty.” This amounted to a particular kind of authoritarianism in a specific moment in colonial Zimbabwe’s history. It marked white Rhodesians’ commitment to go against the “winds of change” ushered in by decolonization and Britain’s retreat from Empire. Differing in important respects from both apartheid in South Africa (which had relinquished any colonial obligations from Britain and was left to institutionalize racial segregation on its own terms), and contemporary dictatorships in other parts of the African continent, Southern Rhodesia’s authoritarianism was implemented by Britain’s own kith and kin. This directly contrasted Whitehall’s political aspirations and commitment to Africa’s decolonization, and forced Britain to remain connected to the political dynamics of the country. On the other hand, the UDI marked the attempt to establish alternative economic relations and frameworks which involved economic experts from countries with similar interests and ideological leanings.

This chapter centers on the ways in which one such economist, Johannes (Jan) Lodewikus Sadie,² a Professor of Economics from the University of Stellenbosch. Sadie’s experience as a consultant for the Rhodesian government invites reflection on the role of the discipline and its academics in state development and political processes. In a country endowed with its own local academic community, this chapter discusses whether the decision to hire a foreign consultant was politically

motivated, and considers the context in which the local economists worked, their relationship with the state, and the circumstances under which Sadie was brought in. It considers the report he ultimately submitted, its meaning, implications, and reception by both the Rhodesian Front (RF) government and local academics. It also analyzes the ways in which a state, trying to establish a post-imperial (but not post-settler) state in the face of international ostracism and economic sanctions, managed its economy (Nyamunda, 2016). Because of its circumstances as a rebellious colony trying to maintain white rule against the background of the wave of decolonization across the African continent, Rhodesia was an authoritarian, segregationist state in which the work of economists reveals interesting dynamics.

ECONOMICS, ECONOMISTS, AND THE PROJECT OF ECONOMY AND COLONIAL STATE-MAKING IN RHODESIA

Economists are highly regarded by both society and the state. Their privileged position is associated with their perception as “technical” experts (Young, 2018, p. 10). These legacies have endured in Zimbabwe’s post-colonial period (Nyamunda & Sibanda, forthcoming). By looking at the ways in which the government has brought in “experts” to promote colonial economic development, this chapter sheds light on the roots of the contemporary legacies of economic planning and policy implementation. In tracing the causes of African countries’ poverty, Stephen Haber, Douglass North, and Barry Weingast (2003) suggested that

the failure of reform is that market-based policies – the so-called “Washington Consensus” – that underpinned African experiments had a fatal flaw: they assumed that economic reform can create efficient markets without simultaneous reform of political institutions.

Despite the impressive work of economists, they argued, “[i]t took a Sekou Toure, or a Hastings Banda, five minutes of despotism to undo the finest economic theory” (Haber et al., 2003, p. 1). The trio argued that in the case of Zimbabwe, the state did not use its despotic strength to protect individual property rights which is the basis of strong economic fundamentals, but to expropriate the farms and wealth belonging to white settlers, thus triggering economic crisis. They even suggested that if Robert Mugabe had not pursued such a policy, Zimbabwe “would not today present such a calamitous picture” (Haber et al., 2003, p. 1).

In as much as Haber et al.’s point on the imposition of the “Washington consensus” remains valid, they chose to ignore that, despite the positive economic indicators in colonial Zimbabwe and before Robert Mugabe’s rule, there were huge problems of inequality in access to resources and racial segregation, which led Mugabe to give into some demands for land reform. Secondly, there is an underlying assumption that only post-colonial governments were despotic, thus making the work of economists difficult. Haber et al. completely neglect the authoritarian nature of colonial states. These scholars chose to ignore that colonialism was by nature despotic, while also failing to acknowledge that some

economists, the knowledge they produced, and the ways in which it was applied as policy were part of the political and intellectual arsenal defending oppressive colonial rule (see [Slobodian, 2014](#)).

The earliest reference to an economist colonial Zimbabwe can be traced to W. Fosciety, who corresponded with Cecil John Rhodes, the founder of the British South Africa Company (BSAC) who secured a concession to rule colonial Zimbabwe (Southern Rhodesia) between 1890 and 1923. The BSAC first established authoritarian rule, violently suppressed African resistance and set up a colonial state built on compulsory taxation of Africans, exploitation of labor and mineral resources, and primary products extraction ([Phimister, 1988](#)). It was in the early colonial encounters that Fosciety tried to contribute to the building of the financial basis of colonial state-building.

Chartered rule attempted to secure profits for the BSAC's predominantly British shareholders (see e.g., [Arrighi, 1970](#); [Beach, 1990](#), p. 32; [Clarke, 1974](#); [van Onselen, 1976](#)). To be profitable, "[c]olonial rule was supposed to be cheap, *vis.* for taxpayers in Europe" ([Austin, 2010](#)). But, already from this early stage, the BSAC state and white settlers wanted autonomy from British control. Even as it set up its economic machinery, inviting banking institutions such as the Standard Bank in 1892, setting up its fiscal system in fits and starts, its currency was denominated in pound sterling and sterling backed Cape currency. To overcome the severe shortage of coinage which affected business and hindered the vision of colonial economy building, Fosciety advised Rhodes on the possibilities of achieving economic autonomy (Nyamunda, 2020). In 1896, Fosciety's economic advice to Rhodes was centered on the establishment of an autonomous State and Public Bank of issue that would solve the coinage shortages. Despite the efforts toward this, in 1907 London refused to grant Rhodesia royal assent to establish an autonomous monetary system. Indeed, allowing Rhodesia to do so could have possibly encouraged other colonies to make similar demands, and thus destabilize the pound sterling's position as a currency at the helm of the world's financial system. Sterling was especially useful in purchasing valuable minerals and commodities from the colonies. The currency was broadly a tool of economic control for the Empire and, locally deployed for the differential benefit of the colonial state and settlers, while subjugating Africans and stripping them of their land and other resources (Nyamunda & Mseba, forthcoming 2020). From this point of view, Fosciety's influence anticipated the context in which subsequent economists would operate in Southern Rhodesia. Economics largely became a tool for the enrichment of the Empire and the benefit of white settlers, perpetuating the exclusion, and underdevelopment of African populations.

The point about the assigned superiority of race in colonial political and economic configurations appears clearly also in the work of some intellectual fathers of twentieth century economic liberalism. Two years before his death in 1966, for example, Wilhelm Röpke, defended the apartheid system, praising South Africa as "one of the most prosperous ... irreplaceable nations in the world economy," and claiming that apartheid was not oppressive, but rather a form of development corresponding to the country's needs in which "the South African negro

was not only a man of an utterly different race but, at the same time, stems from a completely different type and level of civilisation” (quoted in [Slobodian, 2014](#), p. 61). Settler societies, their modes of production and states formed out them were therefore founded on enduring politics in which economic logics and epistemologies were fundamentally racist.

The primary concern of African settler colonies was to maintain, as Donald Denoon observed, a specific kind of settler capitalism dissimilar but closely integrated into Euro-American capitalism ([Denoon, 1983](#)). Settler capitalism was premised on tightly controlled, racially segregated economies and not on “free” markets. According to Mahmood Mamdani, settler colonial states- and economies-generated “political identities that are not only distinct from market based identities but also cultural identities” ([Mamdani, 2001](#), p. 652). In this juxtaposition, the colonial population was classified into races and ethnicities in which each was allocated different legal recognition. Whites were deemed more civilized and therefore claimed higher rights. While Mamdani’s main argument was that decolonization “deracialised” these categories without democratizing and substantially addressing the question of ethnicity, his point that authoritarian politics was the lasting legacy of colonialism is incomplete. Indeed, economic knowledge, on which this chapter focuses, is a crucial element to understand how settler capitalism shaped the colonial state.

Sadie joined the economics profession in the early 1940s. Since the nineteenth century, within a few decades, the discipline had

evolved from a loose discursive “field,” with no clear and identifiable boundaries, into a fully “professionalised” enterprise relying on both a coherent and highly formalised disciplinary framework, and extensive practical claims in administrative, business and mass media institutions. ([Fourcade-Gourinchas, 2001](#), p. 392)

Crucially, as [Fourcade-Gourinchas \(2001, p. 397\)](#) argues

more than any other form of knowledge, economics has participated in the rationalisation of our “life worlds” ... by extending its logic into ever more remote areas of our everyday experience.

Habermas’ concept of “life world” here denotes disparate colonial identities’ lived experiences. In the colonial African context, plural life worlds challenged certain kinds of knowledge and their incorporation into policies. As colonial governance developed in Africa, it was increasingly influenced by the role of economics in state-making. Indeed, “the expansion of the discourse of economics [appeared] ... fairly homogenous, world-level, trend of societal rationalisation ... present[ing] itself as a universalistic paradigm” ([Fourcade-Gourinchas, 2001](#), p. 397).

Economists had a long-lasting relationship with the Rhodesian state until UDI. Examples of key scholars include Sally Herbert Frankel (1938), who produced the first estimates of GDP in the 1940s, and J. B. Phillips’s pioneer agro-ecological survey in the 1950s.³ Others tried to standardize and adapt colonial economies even as they approached independence to emerging statistical economic management systems. Cambridge Professor Richard Stone and others contributed through the United Nations (UN) and its agencies such as the United Nations Economic Commission for Africa (UNECA) to the development and application

of national incoming accounting to African economies. But there were also dissenting economists. Scholars such as [A. G Irvine \(1955\)](#) contributed immensely on the subject of the System of National Accounting in Southern Rhodesia from 1945 onwards. Another Cambridge economist, Phyllis Dean's work expanded statistical economics, particularly focusing on family income surveys, mining accounts, and the first, but problematic first estimates of total national income (The Feature article was in the *The Independent*, October 12, 2012). In 1960, using rainfall patterns as the main factor, [V. Vincent and R. G Thomas \(1960\)](#) further developed work on an agro-ecological survey of the five natural regions that Zimbabwe is classified into and that is only just being revised in light of contemporary climate changes ([Vincent & Thomas, 1960](#); see also [Mugandani, Wuta, Makarau, & Chipindu, 2012](#)).

In many ways, the work of economists in late colonial Africa and as the “winds of change” began blowing across the continent, independent countries adopted them as a precondition to join the UNs and benefit from some of its arms such as UNECA, the United Nations Council for Trade and Development, the World Bank, and International Monetary Fund. In a colonial setting, by its very nature of a limited suffrage electoral system, the state was certainly non-democratic and therefore authoritarian. Economists adapted in different ways, whether in conformity or opposition to the nature of the state. Seminal works on the economics of Rhodesia were published by S. H. Frankel, C. H Thompson, H. W. Woodruff, A. Hazlewood, P. D. Henderson, and W. J. Barber. Frankel was the biggest critique of the use of global abstractions that emerged in the 1940s, supported in many ways after his move from South Africa to Oxford as Economics Professor by another important Economist, Peter Bauer, who was equally critical of the new orthodoxy of development economics from the 1950s onwards ([Baldwin, 1966](#); [Barber, 1961](#); [Frankel, Thompson, & Woodruff, 1954](#); [Hazlewood & Henderson, 1960](#)). A field that had started off as a discursive field had turned increasingly toward statistical and mathematical modeling. These conventions were increasingly rooted by the late 1940s and 1950s, especially with the rise of economic abstraction and application to policy through growth economics (Speich, 2011). Yet these conventions were further sustained and encouraged by the rise of Development Economics in the 1950s following the publication of a seminal UN report followed by a study by W. Arthur Lewis (Lewis, 1954; [United Nations \[Authored by W. Arthur Lewis\], 1951](#)). Ignoring the conditions under which the colonial enterprise had utilized oppressive methods, well-captured by van Onselen to coerce African labor for its economic “development” along lines that benefited white settlers and the colonial state through unfair taxation, land alienation, and forced labor, all of which translated to primitive accumulation, scholars such as Barber adapted Arthur Lewis’ arguments and applied it to central Africa, including Rhodesia.

Adopting Lewis’ model of development in 1961 Barber argued that labor in Africa moved voluntarily from the traditional sector voluntarily into the capitalist (read white settler) sector until a point of full employment was reached, thus facilitating modernization and economic development ([Barber, 1961](#), p. 8). Having met him only once in Oxford when he gave a paper that would lead to his 1954 article on economic dualism, Lewis would have a lasting influence on

Barber's persuasion toward "master models" which he would apply on different case studies from his work in central Africa, to the United States and India (Boianovsky, 2019, p. 327) Although the economic dualism model had been criticized with relation to Lewis by such scholars as Bauer in 1956, Giovanni Arrighi was among the first to criticize the argument in the context of Southern Rhodesia in his article which reviewed, in part, Barber's book. In this chapter, Arrighi (1970) argued that the reverse of Barber's argument was actually the context of the historical labor process in Southern Rhodesia. If anything, the context of precolonial Zimbabwe, there was near-full employment but the colonial process of depeasantization, pauperization, and the involuntary and coercive processes of proletarianization actually created a labor reserve. Arrighi aptly captured the essence of Bauer's criticism of the growing trope of Development Economics. According to Vasquez (2007),

Bauer's critiques of growth models reflect his distrust of overreliance on ... [g]rowth models [which] encouraged the emphasis on the aggregative and quantitative approach in development economics, and also conferred an air of rigour to such analysis. (p. 203)

Bauer criticized conventional growth models as unhelpful and misleading as "they ignored the fact that the parameters were affected by the chosen variables, which themselves he came to recognize as unimportant" (Vasquez, 2007, p. 203). He was, as Arrighi came to do in the case of labor supplies in a historical perspective in the context of Southern Rhodesia in 1970, keenly conscious of "[p]eople's attitudes, or the political situation, variables omitted by growth models, are far more important to progress than the stock of capital..." (Vasquez, 2007, p. 204). Bauer and Arrighi's debates were in some ways also informed by approaches from scholars like Karl Polanyi (2001) who emphasized social embeddedness in the economy. But because such critiques were not as influential in a cold war context in Europe, some economists such as Thompson, Woodruff, Hazlewood, Henderson, and Barber adapted the growth models to the African context. Given the different contexts, histories, cultures, and circumstances, these colonial economists' works produced something of a cognitive dissonance with Africans fighting the oppressive colonial capitalism that depicted them as traditional, even primitive natives.

As decolonization proceeded in the 1950s, Economics in Southern Rhodesia came to reflect these debates. Arrighi's seminal article brought them into a specific colonial context. Even after the establishment of a Department of Economics with the opening of the University College of Rhodesia in 1957, these debates would increasingly take center stage and influence the relationship between economists and the state. The settler economy, especially the election as Prime Minister of Godfrey Huggins in 1933, was constructed on the basis of an artificial "two pyramid policy" which in many ways imitated the two sector model that pervaded development economics. Under this pyramid, the state used the Land Apportionment Act (1930) to implement spatial separation on racial lines. Under this regime, the settler community that numbered less than six percent of the population at their peak, occupied over 80 percent of the most productive land, had access to mines, industry, and business opportunities as well as capital which

Africans were refused. By 1963, the white settler state was entrenched despite the pressures to decolonize. The RF government that came into power in 1962 began planning a UDI and created alliances to defend white rule (Nyamunda, 2019). Presenting itself as the forebears of civilization and the architects of a modern economic system, white settlers were determined to maintain the status quo and committed to use scholars that legitimized their actions.

KNOWLEDGE, POLITICS, POLICY: SADIE, RHODESIAN ACADEMICS, AND THE STATE

Jan Sadie was invited to explore economic development options in Rhodesia following the colony's UDI. His 1967 report was received with mixed feelings by both the state and local economists. But the hiring of Sadie was motivated by a number of reasons. Firstly, Sadie was a Professor at one of the oldest and well established economics departments in Africa, the distinguished University of Stellenbosch established in 1918. He was educated as an economist at Stellenbosch University, Erasmus University in Rotterdam, the University of Cambridge and the London School of Economics.⁴ This trajectory earned him a lot of respect among economists, not least because Cambridge and the LSE were among the leading British institutions for the professionalization of the economics discipline (Fourcade-Gourinchas, 2001). Because of this education, Sadie took on many consultancy jobs on African economies. His experience, beginning with a job as an academic in 1942 spanned roles in demographic economics for the UNs, the Chilean government, and he later did research for the International Labour Office in Geneva, as well as chairing the committee on financial relations in South West Africa (renamed Namibia at independence in 1990). Within South Africa, he was active until 1991 in roles that included work on various economic commissions, advising the Council for Scientific and Industrial Research, the Human Sciences Research Council and the Statistical Service among others. A recipient of numerous awards such as the Stals Prize for Economics in 1971, the Percy Fox Achievement Award in 1984, the Salus gold medal of the Department of National Health and Population Development, as well as author of some 132 articles in journals and research papers,⁵ it is not difficult to see why, in the mid- to late-1960s, the Rhodesian government sought the services of Jan Sadie. Sadie's reputation must however be examined within the context of the development of economics as a discipline on the African continent. His 1967 report on Rhodesia must be viewed as a product of the complexities of decolonization and the Rhodesian rebellion.

Sadie's alma mater, Stellenbosch University, boasts an elite group of economics Professors in a segregationist and, after 1948, apartheid South Africa. In this context were different "life worlds" consisting of competing, even racially conflicting visions of what the country was supposed to be. These manifested in ideological differences in which some of the right wing Afrikaner groups had secured political hegemony after the establishment of the Union of South Africa in 1910. As the far right Afrikaner politicians enjoyed political power, especially after the victory of the National Party in 1948, they secured the balance of economic

resources at the expense of the non-White groups of black and Asian communities. This was despite the fact that the white population of the country was a minority. In stark contrast, the experiences of the non-White groups were those of exclusion, exploitation, poverty, and all the challenges wrought by the apartheid system. This was a context of racial disharmony, in which African nationalist movements were banned, but even if they were not, the franchise would endure that they struggled to secure the majority on whom they to gain political power. But the apartheid state continued to entrench repressive and brutal legislation, and despite international condemnation, even consolidated this position by establishing a republic in 1961 that effectively cut the remaining ties the country had with its former imperial master, Britain.

Sadie was the fourth Professor of Economics at Stellenbosch, succeeding Daantjie Fanzen. Fanzen served two terms as Professor before Sadie's appointment from 1947 to 1949, and as a second Professor alongside Sadie between 1976 and 1983.⁶ Both of the same age, the two were influenced by the work of the first two Stellenbosch Professors of Economics, Kroos Botha (January 1, 1936–August 3, 1937) and Johannes Grosskopf (1920–1935), as well as the global development trends in the region and the global economy. This formal analysis type of Economics, with its “emphasis on the aggregative and quantitative approach [based on assumed] rigor to analysis” is what heavily influenced the pedagogical trajectory and scholarship of Sadie, Fansen, and many other economists of the time (Bauer, 1984, p. 34).

Building upon the conventions emerging toward the mid-twentieth century, economists, whether from Stellenbosch or elsewhere in South Africa, became increasingly influential in both academic and public life. Sadie's predecessors and colleagues shared this characteristic. Grosskopf produced the Carnegie report, also known as the “Carnegie Poor White Study” (Fourie, 2006) and was ultimately employed, after 1935, in the Department of Trade and Industry as the head of Economics and Markets. After leaving the university in 1949, Botha became a member of the Loan Council, eventually becoming its President and was also appointed to the Railways Council. Even as he became Economics Professor at Pretoria before returning to Stellenbosch in 1976, Fanzen served as the Governor of the South African Reserve Bank (SARB). His work on macroeconomic aggregates, including population income, savings, investments, consumption patterns facilitated by SARB's Department of Economics and Statistics, influenced him to represent South Africa in the International Association for Research in Income and Wealth as well as in economic policy-making and serving on various commissions such as the Fanzen commission on fiscal and monetary policy (1967–1970), the committee for marginal gold mines (1978), the committee for restructuring government debt (1985), among others. Fanzen also collaborated with C. G. W. Schuman to write the first Afrikaans textbook in South Africa titled *Ekonomie – n inleidende studie* which became a standard text in all Afrikaans-speaking universities.⁷ This study, along with the Carnegie report influenced the direction of the discipline in South Africa, closely informed by global trends. Interestingly, as the comment on the web-page tracing the history of Economics professors at Stellenbosch attests,

[t]he way in which they became involved in the public arena of the socio-political problems of the time, is still being practiced by current staff: thoughts and methods are not narrow-minded and theoretical, but policy oriented as well as politically informed.⁸

Although he increasingly focused on economic demography, analyzing, and evaluating the results of census data collection, Sadie followed in the footsteps of his predecessors and colleagues, making an international reputation for himself through his work in committees and commissions, as a professor and as a consultant. It was this reputation, and that of his institution that made Sadie attractive to the government of UDI Rhodesia.

The political and economic context of Rhodesia in the 1960s was characterized by a drive to maintain illegal white rule. The “delinquent” colony was keen to survive even as the African nationalist movement for black majority rule gained momentum (Nyamunda, 2016). However, unlike Rhodesia’s failure to renounce its colonial status legally, South Africa had significant room for maneuver, having attained dominion status with the establishment of union in 1910 and ultimately declared itself a Republic in 1961 (Onslow, 2005, p. 130; Rebeiro De Meneses & McNamara, 2018). So, South African economists worked in an authoritarian segregationist context, and after 1948, apartheid. Despite Sadie’s personal views on race, it was this context that he emerged from, making him a safe bet as an economic consultant for the RF government whose primary motivation was maintaining white rule.

THE RHODESIAN POLITICAL CONTEXT AND THE SADIE REPORT

Hiring expatriate economists to do consultancy work, the Rhodesian government overlooked local economists. With the exception of, for instance Harry Margolis, who headed the Commission of Inquiry into Secondary Industry, most commissions tended to be headed by foreigners.⁹ Sometimes they were drawn from the metropole, as in the case of the commission into economic development and coordination, which was chaired by the British businessman, Miles Thomas. Using expatriates had become the standard practice by time of the UDI. The preference for expatriate economic consultants stemmed from suspicions toward certain local academics, deemed activist. According to Ian Phimister, an economic historian emerging in the 1970s, anyone who held views that were on the left of the RF was deemed a communist.¹⁰ During this time, a number of prominent academics considered leftist or sympathetic to African nationalist aspirations were targeted by Ian Smith’s government. Examples of academics who were deported from Zimbabwe include people like Giovanni Arrighi and Terence Ranger. Those who remained were in some cases ostracized. John Conradie, for example, was accused of involvement in running and supplying weapons to the guerrilla fighters and imprisoned for 20 years.¹¹ Arrighi escaped this fate when he was forced to leave the country in 1966. In this context, the authoritarian government of Ian Smith, with its mission of maintaining white rule would never have solicited the views of these academics, who ranged from being radical to being at least sympathetic to the African nationalist cause.

The policies of the RF followed the “development economics” espoused by scholars like Barber. In fact, some of its policies, with some deviation from the Lewis cum Barber model, attempted to separately develop the Tribal Trust Lands (TTLs) through pro-segregation community development policies. Earlier, following his election to the country’s premiership in 1933, Huggins had campaigned for a “two pyramid policy.” He attempted to create a European sector separate from “African affairs,” arguing that Africans were like a sea of black surrounding an island of white (Gray, 1960). His construction of settler and native political colonial identities and pursuance of segregationist policies were designed to promote the development of Europeans at the expense of Africans, because, as he put it, “should the Africans be allowed to erode the shores and eventually attach the highlands?” (Gray, 1960, p. 12). What this demonstrates is the extent to which a deliberate policy of crafting the colonial economic architecture that favored one race against the other and in which nothing was voluntary (Gray, 1960). Such an argument was ahistorical, inaccurate, and problematic in its assumptions. This was eventually challenged by scholars such as Arrighi, Charles van Onselen, and Ian Phimister, among others. Dismissed by Arrighi, the dual colonial economic model proposed by Barber was not founded on volunteering, but violence, segregation, and labor exploitation. Much anti-colonial works challenging these conventions emerged in the wake of subsequent labor studies that accounted for systematic exploitation, like van Onselen’s Chibaro and Phimister’s article on the Shamva mine strike (Phimister, 1971; van Onselen, 1976).

Whatever the historiographical dimensions of political economy in Rhodesia, given his intellectual persuasions, Sadie was a safe bet for the Rhodesian government. He was hired to investigate the economic prospects of the rebellious colony that was facing international ostracism, UN sanctions and war from the African nationalist movements in 1966. He produced the Sadie report in 1967. Among the major recommendations made by Sadie was the suggestion to control the burgeoning African population through such suggestions as birth control. Consistently with his evolution as an economic demographer, he concluded that the African population would outstrip existing resources, and therefore it needed to be controlled. Yet, ironically, he assumed that the white population, which never exceeded more than six percent of the local population, possessed the skills necessary for the development of the colony. So he suggested that the government try to either encourage the growth of the local white population or attract white immigrants into the country to improve the skills base and develop the rebellious colony.¹² Little attention was paid to the crucial factors of sanctions, increasing tensions of conflict, or the pariah status the country had attracted, never mind the racial misdistribution of economic resources.

Interviews held with many of the academics active in the 1960s and 1970s suggest that most of them dismissed or ignored the Sadie report.¹³ Yet, it was influential enough to trigger the first comprehensive census held by the Rhodesian government in 1969 (Brownell, 2011). Unsurprisingly, it found that the African population far outnumbered the European population, and this resulted in a kind of neo-Malthusian anxiety. But whereas the Sadie report triggered fears of a Malthusian trap for Africans, to many local academics, the skewed land

allocation, and segregationist policies of the state were clearly the main cause of the collapse of the rural economy and ecology. In a review article of a report produced by A. J. B. Hughes following a study commissioned and “handsomely” financed by the Tribal Area Research Foundation established in 1969 after the Sadie report, Henry Dunlop criticized the Malthusian fears demonstrated in the context of the state of the TTLs. Dunlop used very simple statistics demonstrating that where whites lived in low density land of 4 to 6 per square km, Africans numbered from 18 up to 40. He dismissed Hughes’ suggestion to practice conservationist agricultural techniques or the use of fertilizers and other organic methods to rehabilitate the land and make it more productive. He argued in that review, a point that should have been obvious to Sadie and like-minded scholars, that the cause of the collapse of the rural economies were far from the Malthusian fears, but a function of a segregationist, authoritarian supremacist colonial state (Dunlop, 1974).

The choice of economic consultants such as Sadie is revealing of the intentions of the authoritarian state. Indeed, economists like Sadie could justify the regime’s position and give intellectual weight to its position. Many of the academics emerging from the University College of Rhodesia which had opened its doors in 1957 were quite critical of the state to the extent that they would challenge and even threaten its interests. In fact, many of the dissenting academics anticipated prospects of independent Zimbabwe, having realized that the unpopular sovereignty of the Rhodesian state and its vision of indefinite white rule was unsustainable. The ideas of these scholars found eloquent expression in a series of studies in the 1970s, focusing on an anticipated transition from Rhodesia to Zimbabwe, examining the prospects of a transition from colonial rule to independence. Many of their arguments embodied the legacies of critical scholars who had challenged colonial studies that were used by the authoritarian state to mask its commitment to white political, social economic supremacy.

CONCLUSION

This chapter reconstructed the considerations behind the Rhodesian state’s choice to hire J. L. Sadie as a consultant to analyze the role of economics as a discipline under late colonial authoritarianism. But to make sense of the circumstances and choice for hiring him, the study foregrounded the ways in which the discipline was introduced into South Africa, from where Sadie was from, and to a limited extent, colonial Zimbabwe.

At the early stages of its rebellion, the Rhodesian government needed advice on the challenges facing its specific type of state, and how best it could run an economy. Its choice of consultant says a lot about itself as an authoritarian state, as it does about the ways in which economics was utilized by segregationist authoritarian governments. Sadie was hired in a context where local academics were not trusted by the government. In fact, a good number of them were being deported, detained, or fleeing Rhodesia because of their sympathies with African nationalism or suspected support. From this point of view, Sadie was a safe bet.

Grounded in mathematical and demographic economics, the Sadie report motivated the 1969 census. Instead of confronting the reality of misdistribution of resources and racial inequality with regard to access to economic opportunities, Sadie's conclusion was that the state should improve family planning for Africans to limit their population growth rate, while encouraging white immigration and increase of white population through increased birth rate, all of which would ostensibly expand the skills base of the country. In many ways, this triggered what Rhodesia viewed as its "war on numbers," based on the erroneous belief that expanding the white population was a key to indefinitely sustain white supremacy (Brownell, 2011). Sadie's report was based on the alleged "neutrality" of economics, and a problematic understanding of its universal applicability. Yet, in the specific political context of Southern Rhodesia, the alleged "neutrality" and "universality" of mathematical economics lent itself to become a tool of white settlers' rule, and stood in stark contrast with the attempts by economic historians and political economists to historicize exploitation and oppression, and challenge the legitimacy of the colonial state.

NOTES

1. Here, the notion of a disciplinary turn, in this case development, must be read with the criticism that such turns urge scholars to conform, rightly or, in most cases problematically, to trends where, as Cooper suggests "scholars ... or social sciences take their intellectual curves together, and anyone who does not is off on a tangent or has entered a dead end" (p. 4). The development turn can be traced back to the 1950s, a period in which Development Economics also emerged. But the field of Economics had been founded in the eighteenth century and became an established academic discipline at European universities in the late nineteenth century. It came to the South African universities in the early twentieth century and was established in other colonies in the late 1940s and 1950s. Economics however featured prominently in the history of African state and economy making as colonialism established itself across the continent and even more so as many countries gained their independence.

2. Popularly known as Jan Sadie, he was born on July 8, 1918, the same year the University of Stellenbosch was established, and 10 days before Nelson Mandela. Sadie died on April 30, 2005. See his obituary: <http://www.stellenboschwriters.com/sadie.html>.

3. Correspondence with Rob Davies via email, June 21, 2019.

4. <http://www.stellenboschwriters.com/sadie.html>

5. <http://www.stellenboschwriters.com/sadie.html>

6. See the history and profile of all Economics Professors and other academics on the Department of Economics at Stellenbosch University page titled: "About the Department," <https://www.ekon.sun.ac.za/about/page/3>.

7. <https://www.ekon.sun.ac.za/about/page/>

8. <https://www.ekon.sun.ac.za/about/page/>.

9. Interview with Ian Phimister, Bloemfontein, July 14, 2019.

10. Interview with Ian Phimister, Bloemfontein, July 14, 2019.

11. In trying to get the perspectives of academics who started their academic careers in the 1960s and 1970s, I corresponded with the following academics via email: Duncan Clarke, Antony M. Hawkins, Andrew Roberts, and Rob Davies. Most of their narratives were similar citing the ways in which such academics as John Conradie and others were treated by the colonial government and how they were also viewed with suspicion by the colonial state. They continued to produce their outputs through the *Rhodesian Journal of Economics*, but also in the late 1970s, many of them were involved with the

“Rhodesia to Zimbabwe” series that produced many studies focusing on the economic prospects of independent Zimbabwe in anticipation of a transition to majority rule. A number of scholars such as Colin Stoneman, Roger Riddell, Vincent Tickner, and others contributed to these very fascinating studies. This group of scholars’ work was designed more for the transition to independence in contrast with Sadie, whose report was designed in a way that would not raise any serious questions about the sustenance of minority rule.

12. Jan L. Sadie (1967).

13. Interviews particularly with Phimister (2019, June 21), Davies (2019, July 19), and Clarke (2019, July 21).

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CHAPTER 7

ISOLATION IN ALBANIAN ECONOMIC THOUGHT

Doriana Matraku Dervishi and Marianne Johnson

ABSTRACT

Under the authoritarian rule of Enver Hoxha, Albania pursued one of the more unusual variants of a planned economy, increasingly isolated from the rest of the socialist world. In this chapter, the authors consider the interplay between the Hoxha's policy of economic isolationism and the economics produced in isolation. Several conclusions can be drawn. First, much like in other authoritarian regimes, economic theory did not drive economic policy; rather political ideology determined policy; economic theories were retroactively constructed and used as justification. Second, authoritarian-decreed economic theory (dogma) meant that the job of Albanian economists was distinctly different from what we observe elsewhere. Albanian economists played two roles – propaganda for regime positions and technical support for regime policies. Third, and most uniquely Albanian, economic and political isolation created an echo-chamber where theory was functionally irrelevant to policy-making or practice. Decreed economic theory was substantively empty, and new ideas were shut out. This had profound implications for Albania's eventual transition to a market economy.

Keywords: Albania; authoritarian regimes; Enver Hoxha; isolationism; sociology of economics; planned economy

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INTRODUCTION

Under the authoritarian rule of Enver Hoxha, Albania pursued one of the more unusual variants of a planned economy, increasingly isolated from the rest of the socialist world.¹ After breaking relations, first with Yugoslavia (1948), then with the Soviet Union (1960–1961), and finally with China (1978), Hoxha declared that Albania would achieve economic development by “relying entirely on [our] own sources ... without stretching out the hand to anyone for help” (Alia, 1983, p. 14). It was in this virtual vacuum that Albanian central planning and its’ accompanying economic thought and practice developed distinct, national characteristics: “very orthodox Stalinist in the economy, with nationalistic ideology, and political totalitarian rule” (Pashko, 1994, p. 224). From the 1960s onward, Albania was treated as an outlier for which “no data was available” (Staller, 1964, p. 386).² The “phrase that repeatedly crops up is ... ‘except Albania’ ” (Ramsay, 1978, p. 190), the “isolated and special case of Albania” (Berend, 1984, p. 273).

Understanding Albania’s decision to follow a path of isolationist central planning matters as a contribution to the history of economics thought, policy, and practice in Soviet satellite and European communist and socialist countries. Though there is growing interest in the history of economics produced on the “other” side of the Iron Curtain and under authoritarian rule (Allisson, 2015; Boldyrev & Kirtchik, 2014; Boldyrev & Kragh, 2015; Leeds, 2016), much of this history is yet to be written. As this is done, it is important to develop a clearer picture of the implications of authoritarianism, ideology, and censorship on economic thinking and practice. In this chapter, we focus on the interplay between the Albanian isolationist development strategy that emerged in the late 1970s and the economics produced in isolation. This approach allows us to explore the mutually constitutive relationship between what economists actually did in Albania and the authoritarian-political context in which they operated. We draw several conclusions. First, like in other authoritarian regimes, economic theory did not drive economic policy; rather, political ideology determined policy and theories were retroactively constructed and used as justification (Boldyrev & Kragh, 2015; Coleman, 2002; Samuels, 1993; Wagener, 1998).³ Second, because economic theory was required to conform to and support political ideology, the job of Albanian economists was different from what we generally observe. Albanian economists were not responsible for theoretical advances. Their job was to provide propaganda on behalf of the regime, to provide the appropriate ideological training for the next generation, and to oversee the technical-statistical work necessary to run a planned economy. As isolation persisted throughout the 1980s and the economy stagnated, the economic “reality” defined by the regime increasingly diverged from actual conditions. Economists were often in a position where they were expected to distort facts, shade information, and dissemble about the effectiveness of policy. Third, economic, political, and intellectual isolation created an echo-chamber. The ideological demands combined with a lack of new inputs meant that economic theory became functionally irrelevant to policy and practice. Decreed economic theory was substantively empty. New ideas were shut out. Citation became a political activity rather than the process by which

economists documented how knowledge was created, confirmed, and extended. This had a profound impact on how economists thought and what sort of work they produced. It would also have serious implications for Albania's ability to transition to a market economy.

EMERGING ISOLATION

From 1944 until his death in 1985, Hoxha oversaw a vicious and oppressive authoritarian regime that relied on nationalism and xenophobia for its legitimacy (Fevziu, 2017).⁴ Albania was ruled by "a one-party dictatorship that ruthlessly policed national borders until 1990" (Mëhilli, 2017, p. 13). More than any other country, Albania followed a Stalinist economic development program, prioritizing rapid industrialization and heavy industry:

Albania has been the example of pure orthodox Stalinist ideology, not a communist country in the pure theoretical sense of the word. It was a totalitarian system marked by a very rigid and personalized command economy very heavily influenced by demagogic nationalistic ideology. (Pashko, 1994, p. 226)

Though Stalin's strategy had been employed in the Soviet Union since the late 1920s, Albania was not in a position to develop an independent economic policy until after the split with Yugoslavia in 1948. The nearly contemporaneous publication of *The Economic Problems of Socialism* (Stalin, 1952) provided a convenient blueprint for Albania to free themselves from Yugoslavia's regional economic hegemony, particularly the Yugoslav policy of specialization that had consigned Albania to agrarianism.⁵

The Central Committee adhered to Stalinist development theory until the economic collapse in 1991, repeatedly declaring that "heavy industry ... remains a correct line, which our Party has pursued and will constantly pursue in the future, as required by the Marxist-Leninist principles" (Alia, 1983, p. 18). Albania also adopted much of the mechanics of Soviet central planning (Schnytzer, 1982). The economy was organized on the basis of five-year plans. Agriculture and small enterprises were collectivized, state-owned factories built, and prices set by government regulatory agencies. Employment was guaranteed, though individuals often had no choice of job. Compared to the Soviet Union, Albania had fewer layers of bureaucracy. Power was more centralized, and there was less room for private initiative as Albania retained no market mechanisms and disallowed any type of private ownership.

However, the distinguishing feature of Albanian economic development was not the commitment to central planning or even to Stalinism, but rather an indigenous theory of self-reliance – isolationist economic development – which emerged in the 1970s. Albania had depended heavily on foreign aid in the immediate post-war period. Though 1961, the Soviet Union provided much of the aid. As relations soured on unremitting Albanian demands, Hoxha and the Central Party worked to affirm ties with other Soviet satellite countries. When Albania sided with China in the Sino-Soviet disputes, China began to provide aid and

expertise along the same lines as the Soviet Union had.⁶ Chinese grain, machinery, and experts flowed into Albania.

However, as [Elidor Mëhilli \(2017, p. 13\)](#) explained,

Albania's path ... from openness and transnational contacts to isolation and autarky serves as a warning against equating exchange with freedom, or seeing in transnational contacts some kind of inevitable path toward openness to international forces.

It was not long until Albania would break with China. Over the next 13 years, Albania would receive essentially no foreign aid. The economy slowed dramatically, living standards fell, and machinery and productive capacity decayed ([Pashko, 1993](#); [Sandström & Sjöberg, 1991](#)). The authoritarian government reacted with a corresponding rise in nationalist sentiment that worked in complement with Hoxha's emerging theory of self-sufficient economic development. Articulating the new policy, Hoxha declared "we are going to build socialism based on our own forces" (in [Pashko, 1993](#), p. 907).

ISOLATION IN THEORY

Long the poorest country in Europe, Albanian economists and political theorists had always identified more with the developing world than with the Northern states of Eastern Europe. By the 1960s, they increasingly saw "danger from abroad" and worried about the "geographical and strategic encirclement of our country by imperialist and revisionist enemies" (Information Bulletin of the Central Committee of the Party of Labor of [Albania, 1969](#), p. 34). The Third Five-Year Plan had been a failure, sparking domestic protests ([Schnytzer, 1982](#)). The combination of internal and external threats led Hoxha and the Central Committee to articulate a policy of self-reliance – isolationism – that was coupled with greater political repression and even more rigidity in the economic system ([Pashko, 1994](#), p. 224). As shortages became increasingly severe, the language of the classrooms and workplaces grew more and more militaristic. Self-sufficiency and nationalism quickly became pervasive themes in Hoxha's writings. In his report to the Fifth Congress in November of 1966, he explained:

There can be no true political independence without economic independence. In order to develop the national economy and culture, it is necessary to follow the course of self-reliance consistently, by utilizing all the internal material resources and manpower in a rational and efficient way. ([Hoxha, 1982](#) [1966], p. 133)

One of the primary goals for the country was "raising the level of its independent activity ... relying, as always, on its own resources" (Information Bulletin of the Central Committee of the Party of Labor of [Albania, 1971](#), p. 10). The "fundamental principle of self-reliance" was quickly incorporated into the dominant ideological framework – the official line became that the government of Albania was "basing the development of our socialist economy and culture on the Marxist–Leninist principle of self-reliance ... a great revolutionizing principle" ([Hoxha, 1982](#) [1969], p. 531).⁷

Economic, social, and political thought were produced and disseminated by the Central Committee of the Party.⁸ Hoxha published volumes of essays, books, speeches, and letters that interpreted and distilled Marxism–Leninism for the Albanian situation. Academic economists – who held their positions through the favor of the Party and government planning commissions – had the job of supporting policies and reinforcing the political–economical ideology laid down by Hoxha and the Central Committee. Like in Stalin’s Soviet Union, Albanian economic knowledge “was cultivated only by the grace of political authority” (Boldyrev & Kragh, 2015, p. 364). For example, Hekuran Mara confirmed that self-reliance was indeed “a permanent revolutionary Marxist–Leninist principle in socialist construction” (Backer, 1982, p. 356). Priamo Bollano (1974) explained that the party was ever “creatively apply[ing] the universal principles of Marxism–Leninism in the specific historical conditions of socialist construction in Albania” (p. 10). Gramoz Pashko (1990) clarified the Albanian attitude:

we must eat what we have cooked in our kitchen. If we want to do business, then let us do business. But what we do with our Constitution and our laws is our problem. Good or bad, if things run badly, that’s our affair. We don’t want foreigners to interfere in such things. (BBC News)

Though presented as a theoretical construct, the fundamental principle of self-reliance was little more than empty dogma designed to redirect anger outward and encourage nationalist sentiment. Political fallout with Yugoslavia, the Soviet Union, and China combined with the vehemently anti-capitalist/anti-imperialist tone adopted by the Albanian leadership since the Second World War, meant the country had little choice but to turn inward.⁹ The economic shocks caused by the abrupt severings of foreign aid led the Albanian leadership to reframe foreign aid as the route to dependency and poverty. Even before the break with China, Hoxha had bitterly complained about the various strings attached to foreign aid. His angry rhetoric on aid sparked political backlash in the socialist–communist world, forcing Hoxha (1985 [1976]) to wrestle with the distinction between Albania’s policy of self-reliance and economic autarky. “Our Party has never dreamed of creating an autarkic economy, isolated within itself” he claimed (p. 42). Rather, the real isolationist policies were those being pursued by China, insulating themselves from the true socialist countries while accepting aid from capitalist imperialists. In his report to the Seventh Congress, Hoxha (1985 [1976], p. 41) clarified that “the principle of self-reliance must be understood and implemented correctly.” Self-reliance prohibited foreign aid from “bourgeois and revisionist states” but not collaborative aid from “revolutionary and socialist forces” (Hoxha, 1985 [1976], p. 41, 42). It must be the case that aid is “provided in a completely disinterested way by the socialist countries, should not be accompanied with political conditions and privileges” (Hoxha, 1982 [1971], p. 133).

The report to the Sixth Congress rearticulated the government’s commitment “to constantly improve the socialist relations of production, to deepen the socialist revolution in the field of ideology and culture, [and] to resolutely apply the principle of self-reliance” (Hoxha, 1982 [1971], p. 717). The constitutional revision of 1976 further enshrined the idea, promising that “throughout the construction of socialism, the People’s Socialist Republic of Albania upholds the principle

of self-reliance” (Hoxha, 1985 [1976], p. 14). Self-reliance was seen as both an “urgent necessity for our country to cope successfully with enemy blockades and encirclement” (Hoxha, 1985 [1976], p. 41) and a fundamental law for the construction of a true socialist state. An economic correspondent for the propaganda magazine, *Albania Today*, summarized Hoxha’s position:

Our country, as a genuine socialist country, is outstanding for its stable economy and its high rates of development, for an economy which develops without crises and inflation and has great possibilities for the expansion of production, the increase of the well-being of the people and the strengthening of the defense of the Homeland. All this it has realized relying entirely on its own forces, without stretching out a begging hand to anyone. (Miska, 1983, p. 2)

The principle was “not a temporary policy imposed by circumstances, but an objective necessity for every country” (Hoxha, 1985 [1976], p. 41).

Albania’s “fundamental principle of self-reliance” was ostensibly conjured indigenously and without identifiable references to Western development theories or to the theories advanced by economists in the Soviet Union or China. By this time, Albanian economic theory had become entirely self-referential, ideology laid down by Hoxha and the members of the Central Committee most associated with the management of the economy. Citation was rare, and all such references as existed were exclusively to the revolutionary stalwarts of Marx, Lenin, and Stalin, making it difficult to track the origins and evolution of ideas. Ivan Berend (1984, p. 271), however, documented that economic theories of self-sufficiency had a long history in the Balkans, dating to before the First World War; the theories were characterized by “economic nationalism, protectionism, and increasing state intervention.” The Romanian Mihail Manoilescu’s (1929) treatise on international trade and protectionism provides a good example of this literature (Nenovsky & Torre, 2013). Mëhilli (2017, p. 225) noted that “militant anti-imperialist rhetoric” was common around the “Third World.” Coleman (2002) identified the trend of “anti-economics” more generally in the post-war development literature – that policies such as free trade, which worked well for advanced nations, were actually harmful to developing countries. Harry Johnson explained that economic self-sufficiency was a common trope adopted by many developing countries in the immediate post-war period (Harberger & Wall, 1984). Regardless of the source of the idea, Albania implemented “the principle of self-reliance with ever greater persistency” (Hoxha, 1982, p. ix).

ISOLATION IN POLICY

The National Scientific Conference on the Problems of Development of the Economy in the Seventh Five-Year Plan of April of 1983 provides insight into how Albania’s “fundamental principle of self-reliance” was translated into economic policies. The conference was organized by the Institute of Marxist–Leninist Studies of the Central Committee of the Party, the State Planning Commissions, the Institute of Economic Studies, and the Faculty of Economics of the University of Tirana. The event was not an academic conference but rather a venue for government and academic economists to work out the broad objectives

of the economic system as well as the technical details of day-to-day planning. The minutes published from the conference announced that the Seventh Five-Year Plan was the first “drafted and carried out completely on the basis of our inner resources and possibilities, without any aid and credit from outside” (Rusi, 1983, p. 14).¹⁰ Previous plans had often relied on technical assistance from Soviet and later Chinese experts, in addition to foreign aid, equipment, and machinery.

The plans constituted a bridge between the general economic directives issued by Hoxha and the Central Committee and the actual policies adopted. Thus, the plans included a wealth of industry and firm level instructions for output and productivity targets, details on where investments would take place, price-setting, procurements, and allocations of labor. Much of what professional government economists did in Albania was related to the technical aspects of creating and evaluating the five-year plans. However, “unlike the rest of Eastern Europe, Albania did not adopt the full Soviet data-gathering system” (Falkingham & Gjonça, 2001, p. 309); this made much of Albanian data non-comparable with that of other Eastern European countries and largely opaque to Western economists.

Data hoarding became a particularly visible aspect of Albania’s isolation policy. Although “surprising amounts of demographic, economic, and social statistics were provided to the central government ... they were just not published” (Falkingham & Gjonça, 2001, p. 309). The Central Committee strictly controlled access to information at the national and international levels, causing Albania to be put on a very short list of countries for which “no official economic data was available” (Pryor, 1979, p. 666). Rather, “almost all statistical information on Albania was regarded as a state secret, and any attempt to acquire it tantamount to espionage” (Falkingham & Gjonça, 2001, p. 309).

Per Sandström and Örjan Sjöberg (1991, p. 933) explained that “the basic ‘rule’ is very simple: when developments are positive, data are released [by Albania], and when things take a turn for the worse, data are withheld.” Access to accurate data was made even more complicated by the lack of plan fulfillment reports, which were common in other Eastern European and Soviet satellite countries. Even the statistical yearbook was tightly controlled “during the early years of rigorous secrecy” between 1973 and 1987 (Sandström & Sjöberg, 1991, p. 933).¹¹ Internally, this meant that the economists developing the five-year plans often lacked access to important information. Externally, the interpretation of Albanian economic data was complicated by indigenous statistical measures. For example, in 1986 Albania switched from measuring Net Marginal Product (a mostly understood variant of Gross National Product [GNP]) to reporting a mysterious Global Social Product; the shift was part of the government’s effort to obscure the level of economic stagnation.¹²

The “fundamental principle of self-reliance” permeated most aspects of economic policy in Albania during this period. Though the leadership claimed that they were “always for normal relations of collaboration with all those states which are not hostile towards our country” (Miska, 1983, p. 3), Albania was forced to rely on ever-greater exports of natural resources to anyone that would buy. By the end of the 1980s, trade policy had been reduced to unofficially bartering chromium and oil throughout the Balkans in exchange for manufactured goods, replacement parts, and basic machinery. Intertwined with trade policy was

Albania's complicated relationship with foreign investment and foreign credit that ended with an effective ban in 1976. The extent of authoritarian control over economic thinking was evident in Pashko's support of the ban.¹³ The son of two senior Communist Party officials, Pashko studied economics at the University of Tirana, becoming a professor of economics for the institution with a specialty in "the problems of Western market economies." In 1990, motivated by student protests, Pashko helped found the Democratic Party of Albania, the first counter party in Albanian history. Yet, [Pashko \(1990\)](#) still accommodated himself to the contradiction of isolationist policy and toed the party line, stating "the ban on credits was 'logical in itself' and could be explained by the history of the young Balkan country" (BBC, online).

The death of Hoxha provided an opening for change. Hoxha's successor, Ramiz Alia, had been highly critical of Mikhail Gorbachev's "revisionist" reforms in the Soviet Union ([Biberaj, 1987](#), p. 180). However, faced with a moribund economy rife with inefficiency, Alia slowly embarked on a program of economic decentralization, calling specifically on economists to play a greater role "in order to find the optimal solutions and the most rational ways of using the country's potentials" ([Biberaj, 1987](#), p. 180). Yet rather than well-informed and well-conceived changes, desperation resulted in "many interventions motivated by political expediency, which were wholly un-justifiable from the economic point of view, [and which] created long-term chaos and worked against the reform process" ([Pashko, 1993](#), p. 907). What Pashko did not explicitly mention was that the long period of isolation meant that Albania lacked economists who were sufficiently knowledgeable about market economies and the reforms being pursued in the Soviet Union and Eastern Europe.

ISOLATION IN PRACTICE

In 1951, the Central Committee ordered the establishment of "high institutes" to fulfill the need for specialized practitioners in economy and management as well as in the sciences, agriculture, medicine, law, and pedagogy. Primary and secondary schooling had already been institutionalized in 1946 along a Soviet model.¹⁴ Because of the small number of qualified students, the high institutes initially operated both as research centers and as organizations for advanced educational training. By 1957, however, need was such that the High Institute of Economy combined with the other institutes, to become the first national university, the State University of Tirana (later the University of Tirana), issuing both undergraduate and graduate degrees. The State Planning Commission oversaw the allocation of students into fields of study. Foreign study spots, "like virtually everything else ... became part of the central plan, which meant that 'correct' allocations required, well, a lot of planning" ([Mëhilli, 2017](#), p. 63). In theory spots were supposed to reflect actual needs; the reality was that they often went to party members and partisans. By the late 1950s, more than nearly 2,000 Albanian students would be studying throughout the Soviet Union and Eastern Bloc, remarkable for a country in which more than 80 percent of the population was illiterate only a generation previously ([Mëhilli, 2017](#), p. 63).

Although graduate work in economics had initially followed a Soviet model, Albania's split with the Soviet Union in 1960 led to an aggressive de-Sovietization program. Russian textbooks were eliminated from the curriculum and Russian language studies de-emphasized (Kola, 2011). The extensive two-way traffic of educators between the Soviet Union and its satellite countries with Albania ceased, being temporarily replaced by exchanges with China. By the late 1970s, these too ended. The result was that Albania's isolationism deeply influenced the study of economics and in the production of economic thought over the next 15 years.

The Faculty of Economics at the University of Tirana was the predominant institution of higher economics education in Albania, issuing the majority of PhDs. Other degree granting agencies existed, however, including the Agricultural University of Tirana, the ministries, and the military. In all cases, university and other academic leadership positions went to specially chosen party members. The University of Tirana's economics curriculum and textbooks were strictly controlled by Ministry of Education, and content shifted as political ideology did. During isolation, self-reliant Marxism characterized the country's principle economics textbook – *Ekonomia Politike (Socializmi)* (1981) – published by the Academy of Sciences of the People's Republic of Albania's Institute for the Study of Economics. Treatises on political economy by Marx, Lenin, Stalin, and Hoxha featured prominently in the curriculum; there was no coverage of standard Western micro- or macroeconomic theory. Whether through the national library or the university, students had virtually no access to Western textbooks, journals, or classic economics texts (either in the original language or in translation). Rarely could they correspond with foreign colleagues or attend international conferences. After 1960, most Soviet texts and journals were expunged for their "revisionism." The vast majority of Albanian economics students and faculty thus had no practical option but to rely on national writings and national data.¹⁵

The Central Committee asked students to address themselves to the specific scientific goals outlined in the current five-year plan (Alia, 1983, p. 19). Spots in the various majors as well as jobs upon graduation were rigidly allocated based on plan specifications.¹⁶ At the time of transition, Elez Biberaj (1990) estimated that Albania had 9,622 professional economists (at all degree levels). Nearly all worked for government ministries or at state-owned factories in data gathering, data analysis and forecasting, plan development and fulfillment, cost minimization, and general management. The few who were selected to become academic economists pursued undergraduate and graduate degrees in Political-Economy, selected based on national aptitude exams, course performance, and party connections.

Academic economists fulfilled both teaching and propaganda roles. University of Tirana professors regularly wrote for *Albania Today*, a bi-monthly propaganda news magazine published by the Party of Labor in Albanian, English, and Russian. Between 1971 and 1990, the magazine provided one of the best sources of information on internal aspects of Albania. Each issue contained at least one economic essay by a professor from the University of Tirana on topics such as the narrowing of the gap in living standards between the city and the countryside

(Rusi, 1983), “Stability and the Reduction of Prices – A Distinctive Feature of the Socialist Economy” (Bollano, 1974) or “Constant Improvement in the People’s Well-Being” (Shkodra & Ganiu, 1983). The essays were meant to explain recent economic occurrences, clarify policies, encourage compliance with five-year plan goals, and generally convince readers of the success of the Albanian economy. Isolationism combined with ideological conformity created a situation where the economics that was produced evidenced little critical or theoretical analysis; instead writing often focused on how statistical measures proved the author’s thesis. The Central Committee decreed the topics and themes of popular writing, with most articles appearing to be restatements, explanations, and justifications of official economic policy. Citation was unnecessary, and criticism and heterodoxy not tolerated.¹⁷

One way to reconstruct the impact of isolationism on economic training in Albania is by examining the doctoral dissertations produced during the period of isolation and compare them to dissertations written during the political and economic transformations of the early 1990s. Dissertations are widely regarded as a hallmark of professional practice and the “primary mechanism for certifying expertise” (Fourcade, 2009, p. 76). The dissertations should therefore reflect what was considered appropriate economics practice.

The catalog of the National Library identifies 44 dissertations in the field of economics, completed between 1978 and 1994.¹⁸ This timeframe was selected for both practical and theoretical reasons. Before 1978, some Albanian economists received training in China or in the Soviet Union, and thus were not exclusively “Albanian” products. After the break with China, training was entirely completed in Albania under Albanian professors until 1983 when a very few select students were allowed short-term opportunities to study in Austria, France, Italy, and Sweden (Binder, 1984). For most economists, however, training remained entirely internal until 1991. The number of dissertation records is notably fewer than expected based on estimates provided by senior faculty. Supplementary evidence also suggests a significant numbers of missing dissertation records: of the 27 supervising faculty for the dissertations listed in Table 1, only seven have their own dissertations on file with the National Library. It is unclear whether the dissertations were lost, were deliberately removed before being cataloged in the current system, or if many individuals simply did not file their dissertation with the library.¹⁹

One important feature of Albanian educational policy was an emphasis on indigenous scientific studies and the development of internal expertise as the way to solve national problems – “workers and specialists” in Albania were called upon to search for “more effective methods” (Alia, 1983, p. 16). This view had a substantial impact on how economics was practiced at the university level. Governmental and university policy even through the 1990s recommended that dissertations identify and address a specific problem in Albania. The Central Committee called for

special studies and research [that] should be carried out for the further increase of the effectiveness of the economy ... every study should in the first place, be aimed at finding new roads for a systematic reduction of production costs and increase of the productivity of every enterprise ... problems of cost, circulation and investments in industry, agriculture and other fields require our all-round attention. (Alia, 1983, p. 18)

Choices of dissertation topic often reflected the economic priorities laid out in the five-year plans. For example, the Eighth Five-Year Plan called for “studies that will be conducted for the development of industry, especially the energy and extracting and processing industry” as well as “questions connected with changes in the structure of agricultural production” (Alia, 1983, p. 17). The dissertations produced thus considered strategies to improve the productivity of the chromium and dairy industries and where to find efficiencies in the use of electrical power in machinery manufacture (Table 1). Without access to government archival documents it is impossible to know how seriously the various agencies and firms took dissertation recommendations.²⁰

Though notably fewer in quantity, some of the dissertations did follow the Soviet model, applying and interpreting Marxist–Leninist–Stalinist thought (as reflected by Hoxha) to critique the capitalist system. Exploitation of workers in the capitalist system, neo-colonialism, and perfecting socialism in agriculture were all considered.

Accessible dissertations produced in Albania did not include theoretical or mathematical models or employ regression analysis or other sophisticated statistical techniques. More common was simple descriptive statistics and basic forecasting. Under Hoxha there was little encouragement to think critically, offer new theories, or to innovate in research. Rather, practical applications and technical skills were emphasized. Dissertations produced in the 1980s in Albania primarily relied on case studies, empirical data collection, and copious tabular summaries of data, not surprising given the curriculum and the lack of access to contemporary international economics research.

Vincent Barnett (2006, p. 115) asked what is the social context when “paying lip service to either orthodoxy or even dissent becomes a common feature of scientific discourse?” We attempt to reverse engineer this idea to see how the authoritarian regime influenced economic thought and practice by comparing dissertations produced during the communist period through 1991 to those produced after transition. In Table 2, dissertations are characterized by date, institution, field, and citations. Before 1989, all dissertation citations were found to foundational communist texts, supplemented by the works of Hoxha. The emphasis on orthodoxy and adherence to Marxist–Leninist–Hoxha principles combined with the limited access to external sources challenged traditional citation practices.²²

Citation was ideological, used to signal conformity, rather than employed to trace the origins or evolution of ideas. Data were provided by the party or government or obtained through field observation. The Central Committee defined economic “reality,” which became increasingly untethered to facts in the late 1980s. The death of Hoxha in 1985 did little to immediately change the practice of economics in Albania. In addition to the implicit requirement to cite Hoxha, dissertations produced between 1985 and 1991 also frequently cited the new leader, Alia. No external references can be found before 1990, when a dissertation on rights and political economy briefly discussed several French philosophers including Jean Jacques Rousseau.

Though recognizing the non-random nature of the sample, 1990 was still a remarkably prolific year for the production of economists (12 completed

Table 1. Doctoral Dissertations in Economics, 1978–1995.

Year	Title
1982	Economic crisis and the features of the cycle of development in the condition of contemporary capitalism: in light of Marxism–Leninism lessons of RPPSH ²¹ and of E. Hoxha for crisis
1983	Scientific technical revolution and its role for the implementation of the contradictions of contemporary capitalism
1983	On the relationship frame and some directions of their perfection in the practice of agricultural economies
1984	Problems of the identification and economical effectiveness of milk in agricultural enterprises
1985	Positions and development of social prosperity in RPPSH
1985	Problems of evidence organization of expenses and cost measures for production units
1985	Problems of the implementation and development of Marxist–Leninist theory in the reproduction and practice of social construction in RPSSH in schemes and laws
1986	Study of the use and effectiveness of electric energy in mechanical factories
1986	Problems of property of group transference to property of the population and perfecting the financial relationships
1987	Politics of the Soviet Union in the neocolonialism in Eastern Europe
1987	Economic effectiveness of minerals extraction and technology improvement in copper mines
1987	Explanation of the exploitation plan indicators of the tools and equipment of railway transport
1988	Financial organizations: units of neocolonialism for suppression and population abuse
1988	Methodological problems of prognosis studies
1988	Problems of plan coordination through exports and perfection of accounting methods
1988	Problems of intensive and extensive road harmonization
1988	Problems of work organization in the permanent brigade of plant production
1988	The place and role of socialist agriculture in reproduction
1989	Problems with the assessment of the accumulation of value in structures
1989	Theoretic-methodological problems of productivity and production in plants
1989	Revolutionary transformations of the property relationship in the countryside and some problems of cooperativeness in the actual phase of development
1989	Problems of the economic effectiveness in the growth in poultry production
1990	Crisis and structural transformation in the global economy, years 1970 and 1980
1990	Problems with the assessment of economic-financial planning in the expansion of the military
1990	Important economic aspects of the relationships and constraints of LISA-TPE after Second World War
1990	Problems and aspects for further growth in the industrial reserves of chrome
1990	World trade development trends in the 1980s
1990	Coordination with the plan of economic development in branches and socialist construction
1990	Differential rent and some problems of the state cooperative relation perfection
1990	Some financial sources of agriculture investment and some problems of the effectiveness of bank control
1990	Aspects of value mechanisms in the world's capitalist economies and exploitation opportunities in our economy
1990	Some problems of quality expansion of assortment and economic effectiveness of furniture production
1990	Problems of accounting evidence in agricultural economies in support of the military
1990	Theoretical and methodological problems of economic position of mineral resources
1991	Problems of labor productivity in industrial enterprises in actual conditions
1991	Directions of agricultural development in the mountainous areas of our country
1991	The role of banking credit for agricultural development and some problems of its growth
1991	Problems of the international debt crisis of underdeveloped countries
1991	Theory and practical aspects of budget in the transformation to the market economy
1992	Critical analysis of economic-social development in the Permeti district after Second World War and with the new economic reforms
1992	Theoretical problems of studying the structure, behavior, and economic results in industry
1994	A western model of the reorganization of rural space and agriculture in Albania
1994	Tax policies in King Zogu's state
1994	Problems of investment projects evaluation and the creation of the financial investment environment

Table 2. Fields and Citation Practices of Doctoral Dissertations, 1978–1994.

Years	Count	University/Institution	Fields	Communist and Internal Albanian References	External References
1978–1989	22	University of Tirana (16); Agricultural University of Tirana (5); Ministry of Minerals (1)	Political Economy (7) Agricultural Econ. (6) Industrial Org. (8) International Trade (1)	Marx, Lenin, Engles, Stalin, Hoxha, and Alia	None
1990	12	University of Tirana (9); Military Academy (1); Planning Commission (2)	Political Economy (4) Economic Development/ Industrial Organization (6) Finance (1) International Trade (1)	Marx, Lenin, Engles, Stalin, Hoxha, Alia, and various Albanian government reports	One dissertation referred to French writers, Fountain and Rousseau; a dissertation on trade cited Dietz, "The Impact of Recent World Economic Changes on East-West Trade," <i>WIIW Forschungsberichte</i> (June 1986), the World Economic Survey, and several articles from <i>Foreign Affairs</i>
1991	5	University of Tirana (5)	Economic Develop. (4) Transitional Econ. (1)	Marx, Ceni, Luci, Polena (the latter three were Albanian economists), and assorted government documents	None
1992	2	University of Tirana (2)	Political Economy (1) Industrial Org. (1)	Marx, Engles, Luci None	None Weiss (<i>Rev. Economics and Statistics</i> , 1972); Greer (<i>J. of Industrial Economics</i> , 1971); Strickland and Weiss (<i>J. Political Economy</i> , 1976); Philips (unidentifiable, 1970); Bloch (<i>Canadian J. of Economics</i> , 1974); Miller (<i>J. Industrial Economics</i> , 1969)
1993–1994	3	University of Tirana (3)	Transition (1) History of Public Finance (1) International Finance (1)	Albanian government documents and data	World Bank papers, IMF papers

dissertations). One can speculate that change seemed imminent and students rushed completion under the old system rather than deal with uncertainty under the new. Dissertation topics reflect a mix of communist political economy (perfecting state cooperative relationships) and industrial case studies (the mining industry, furniture production). Hinting at the incipient change were two dissertations on global trends in trade and finance. Dissertations completed in 1990 all cite at least one, and usually several, of the following: Marx, Lenin, Engels, Stalin, Hoxha, and Alia. Of the five dissertations completed in 1991, only one cited any of the foundational works related to communist economics (Marx) and none cite Hoxha or Alia. All dealt with some aspect of economic development and the Albanian economic transition. Topics included labor productivity in industrial manufacture, agriculture in mountainous regions, implications of national debt, access to banking credit in agriculture, and the theoretical and practical aspects of budget transformation for a market economy. Though a remarkable change, none of the dissertations produced in 1991 cited any external literature nor did they employ a methodology other than case study.

Several conclusions can be drawn. First, socialist political economy essentially vanished overnight in Albania. By 1994, all references to socialist or communist foundational texts had disappeared. References to Hoxha ceased immediately with the fall of the regime in 1991. Second, the topics chosen for dissertations were representative of the concerns of a developing or transitional country. Immediate economic issues and real-world problems drove Albanian economics practice. Much like before the transition, issues in economic theory were seen as irrelevant. Third, citation practices developed prior to 1991 had a lingering and negative impact on economics practice. Because the Central Committee decreed economic “theory” was substantively empty and citation was a political game, Albanian economists never developed the skill of tracing the evolution of ideas. Dissertations produced throughout the 1990s lacked literature reviews, evidenced poor technical style, and often had missing bibliographies/reference lists, poor citations within the text, and incomplete information.²³ Most fail to cite foundational papers in the literature, opting instead for working papers and a hodge-podge of freely accessible journal articles and government and organizational reports.

CONCLUSIONS

In 1991, faced with dramatic political changes in neighboring countries and internal economic collapse, Albania began one of the most radical transitions to a market economy undertaken by any former Soviet or Eastern European country (Åslund, Boone, & Johnson, 1996). Albania’s “especially damaging” isolation was blamed for many of the problems of transition, including poorly conceived economic policies, mass emigration, and lack of entrepreneurship (Pashko, 1993, p. 907). Yet, the combination of historical isolation and the choice to pursue radical reforms is what makes Albania a particularly interesting case in which to explore the mutually constitutive relationship between the authoritarian-political context and the practice of economics.

Our analysis focuses not so much on the actual analytic content of the economic ideas produced in isolation – there were dogmatic, ideological, and non-substantive – but rather on the implications isolation had for economics practice. In much of this, Albania was like other authoritarian regimes where ideology and expediency determined policy rather than economic theory. More insidious, perhaps, was the intersection of isolationism and authoritarianism that caused economic theory/economic thought to become functionally irrelevant to Albanian economists. Economic reality was defined by the regime rather than observed from facts. This disconnect led to costly errors during transition. The usual academic citation practices that contribute to the construction of disciplinary knowledge never developed. Instead, hardline, interpretations of Marxism–Leninism decreed by the Central Committee shut out new ideas or different analyses; in this monothematicism, dissenting views were punished. Isolation from external texts and foreign practitioners further limited alternative viewpoints. Citation was a political game, rather than the process by which knowledge is created, negotiated, confirmed, and built upon. The absence of this intellectual tradition left Albanian economists with serious knowledge gaps as well as a particular lack of domestic experts able to effectively grapple with the difficult issues of transition.

NOTES

1. Hoxha came to power with the communist partisans during the Second World War. His Party of Labour of Albania, also known as the Albanian Workers' Party was the only legal political party from 1945 to 1991. When Hoxha died in 1985, he was replaced by an original comrade from the partisan period and long-time member of Hoxha's inner circle, Ramiz Alia.

2. Albania was expelled from the Soviet Bloc in 1961. Relations between Albania and the Soviet Union deteriorated following Khrushchev's renewal of relations with Yugoslavia in 1955. Albanian leadership viewed the Soviet–Yugoslav agreement as an attack on their. Khrushchev's repudiation of Stalinism further damaged Soviet–Albanian relations, leading to Albanian complaints of “revisionism.”

3. William Coleman (2002) argued that authoritarian regimes tend to embrace economics only to the extent that it can be used to further political ambitions and nationalistic visions. See also: “Indeed, while the leaders of the Soviet Union *said* that they were following Marx, or that what they were doing constituted development of Marxism–Leninism, the truth of the matter is that they largely improvised on their own ... much later ‘theorizing’ was comprised largely of efforts to rationalize government policy (especially development strategies) and designed to control the masses of people” (Samuels, 1993, p. 46).

4. Similar to contemporary North Korea, information was heavily censored, and international travel, external communications, and religion were forbidden. To achieve such restrictions, the political, social, and economic systems were organized with maximum centralization, possible because of Albania's small size, its unique language, and geographic and political isolation (Åslund & Sjöberg, 1992).

5. An additional reason was Hoxha's personal affinity for Stalin. Stalin had backed Hoxha in his pushback against Yugoslavian territorial aggression in the post-war 1940s. Evidence also suggests that Stalin personally backed Hoxha's consolidation of power in Albania during Second World War. Hoxha perceived Khrushchev's renunciation of Stalin's cult of personality and call for regional economic specialization as a personal threat (Repishti, 1984, p. 511).

6. Parsing the Albanian split with the Soviet Union, Skilling concluded, “No doubt, from the Albanian viewpoint, one of the decisive factors was the traditional fear of outside control, and in particular of Yugoslav influence, and the distrust aroused by the Soviet conciliation with Yugoslavia. No doubt, too, the Stalinist character of Albanian communism was distasteful to Khrushchev in his campaign of de-Stalinization. Albania’s cardinal sin, however, was her involvement in the Sino-Soviet dispute on China’s side ...the Albanians identified themselves with the ‘leftist’ or ‘dogmatist’ position of the Chinese, and repudiated what they considered the ‘rightist’ or ‘re-visionist’ views of the Russians” (Skilling, 1964, pp. 314–315).

7. Soviet and China leaders, tired of Albania’s incessant demands for technology, training, fertilizers, industrial goods, and machinery had been encouraging Albania to become more independent ever since the 1960s (Mëhilli, 2017, p. 213).

8. Hoxha’s ability to gain control of academic thought was relatively easier in Albania than it was for authoritarians elsewhere. Albania had no tertiary education prior to the late 1940s and thus lacked the academic institutions and traditions of Stalin’s Russia or Hitler’s Germany.

9. Schnytzer (1982) suggested that the Albanian leadership believed that strategic natural resources (chromium, oil, hydroelectric) combined with the country’s traditional agrarian emphasis made isolationist economic development an actual possibility in addition to a politically expedient choice.

10. Backer (1982) identified six aspects or policy goals associated with Albania’s strict policy of isolation. (1) “Internal factors” should be the driving force in socialist construction. (2) National educational policy should emphasize the development of indigenous scientific, engineering, and other skill sets specific to Albanian problems and industries. (3) Self-reliance did not imply autarky. Exchange with other countries was possible as long as it occurred on an equal basis. (4) Self-reliance did not rule out “sincere” socialist aid. (5) Self-reliance should be pervasive throughout the economy. (6) Self-reliance implied a policy of strict savings designed to avoid waste of (of labor power, raw materials, and financial resources).

11. The statistical year book is the *Vjetari Statistikor i RPS të Shqipërisë*.

12. The opacity of Albanian statistics created significant difficulties for outsiders. In his review, Davies (1983) declared that Schnytzer’s (1982) case study of Albania had “achieved the distinction of being the only western economist whose estimates of the growth of consumption in a communist country are higher than the official figures” (p. 655).

13. Åslund and Sjöberg (1991, p. 139) report on “two young professors of economics at the University of Tirana and leading members of the Democratic Party [Gramoz Pashko and Genc Ruli] ... are with little doubt the best qualified economists in Albania and stand out among the few Albanians who have studied ordinary Western economics.” At some point, Pashko had a special dispensation to study Western Economics outside of Albania. He also had unusual access to Western books. Details are scarce.

14. Immediately after the Second World War, Albania adopted the Soviet model of education at the primary and secondary levels. Education was compulsory through grade 8, free, and managed by the Ministry of Education and Culture. The educational objective was to “furnish the new generation with Marxist–Leninist learning ... to educate pupils ideo-politically means to endow them with the scientific ideology of communism” (Roucek, 1958, p. 57). Schooling was highly centralized with rigid standardization observed at all levels (Mullahi & Dhimitri, 2015).

15. There were no Albanian academic economics journals in which to publish, and little incentive generally to seek publications. Most economic writing was composed of reports for the government, popular press/magazine writing, and textbooks.

16. Students at the University of Tirana had six options for degrees: Economist for Industry, Economist for Finance, Political-Economy, Economist for Trade, Economist for Statistics, and Merceology.

17. *Albania Today* periodically published subtly subversive articles by the Albanian novelist, poet, and essayist, Ismail Kadare, who cleverly walked the line between dissident and

conformist during the Hoxha regime. He should not be regarded as typical and much of his dissent in *Albania Today* is largely only recognizable in retrospect.

18. The policy of the University of Tirana was that completed dissertations should be filed with the National Library for permanent record. The National Library Catalog returns 156 dissertations with a subject identifier of “economics.” Eliminating dissertations completed after 1995, double entries, and dissertations supervised by the history faculty, 44 relevant dissertations remained.

19. One legacy of Albania’s history of political repression combined with its tumultuous transition to democracy is that studies that would rely on institutional archival documents, even those as banal as government reports or university course catalog listings, are difficult to pursue because of gaps in the historical record. Some of this is due to the fact that communism in Albania was self-constructed rather than imposed from the outside as it was in many Eastern European and Soviet satellite countries. This presented significant problems during the transition to a multiparty democratic state as the population could not defer blame to outsiders. Many that had been members of the communist government transitioned to political positions in the new government. One implication is that a significant number of documents from the communist period were destroyed, lost, said to be lost, or remain classified.

20. The extent to which government archives exist is questionable. The Bank of Albania claims to have an extensive collection of historical documents, but these are in storage and unavailable until the construction of a new bank library. The Albanian National Archives house a large number of documents relating to the Second World War, all official diplomatic correspondence, some private papers, and all deed and contracts from when property was taken from landowners by the Party, but seemingly no domestic government papers. The National Library of Albania (Biblioteka Kombëtare e Shqipërisë) has suffered from years of underfunding and neglect and is not a reliable source of books or documents.

21. The acronym refers to the Republic of the Party of Labor of Albania (Republika Partia e Punës e Shqipërisë). Titles in Albanian can be provided upon request.

22. After 1980, unapproved foreign contacts were banned for fear of “contaminating” the nation (Mëhilli, 2017, p. 13).

23. Over the next five years, 17 dissertations were filed, all from the University of Tirana. They included topics in industrial organization (4), agricultural economics (2), development (2), public finance (2), international trade (1), and one each in political economy, finance, health economics, money and banking, and statistical methods. Dissertations relied heavily on data generated by the newly created government statistical office, INSTAT. Only one Albanian economist is cited across all 17 dissertation. Very common was the citation of Western textbooks, including Samuelson-Nordhaus’s *Economics*, Spiegel’s *History of Economic Analysis*, Mankiw’s *Principles of Economics*, McFadden’s *Handbook of Econometrics*, Maddala’s *Introduction of Econometrics*, Heckman’s *Handbook of Econometrics*, Dornbush and Fisher’s *Macroeconomics*, and Blanchard and Dornbush’s *Macroeconomics*. Also cited were Pigou’s *Study in Public Finance* (1927), Rima’s *Development of Economic Analysis* (1985), and Hausman’s *The Philosophy of Economics*.

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CHAPTER 8

THE VICHY OPPORTUNITY: FRANÇOIS PERROUX'S INSTITUTIONAL AND INTELLECTUAL ENTREPRENEURSHIP

Nicolas Brisset and Raphaël Fèvre

ABSTRACT

The chapter analyzes François Perroux's institutional and intellectual activities under the Vichy regime (1940–1944) mainly by drawing on archival insights from Perroux's papers. The authors argue that Perroux used his strategic position as general secretary of the Carrel Foundation (created by Marshal Pétain) to reshape French economics along a twofold trend: unifying economics with other social sciences, on the one hand; and developing its most analytical aspects, on the other hand. Thus, Perroux seized the opportunity to push for the introduction and dissemination of foreign theoretical studies within French economics, quite counter-intuitively to the expected nationalistic fallback accompanying authoritarian rule. In the end, the Vichy regime proved a suitable vehicle for the advancement of Perroux's ideas and career: he managed in fact to make the best of a highly uncertain situation in 1940 and especially in 1944, with the impending Liberation of France. The authors show that Perroux used different strategies to neutralize those aspects of his work associated to Vichy's ideology.

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INTRODUCTION

On August 25, 1944, the Allies freed Paris from Nazi occupation after a week of combat. In a letter to his friend and co-author Yves Urvoy, the economist François Perroux describes recent events experienced in the capital. While Perroux – previously committed to Philippe Pétain’s national revolution – concludes on a note of satisfaction for the liberation of Paris, he first insists on the shift he gave to the enterprise shared with Urvoy since mid-1942:

I urgently reorganized our Group, gave it a new name “LABOR” [*TRAVAIL*] and drew up a programme that will be sent to you shortly Anyway, this fall looks like a spring. We are finally in France. I know you are as happy about it as I am.¹

Urvoy never read this letter, nor was he informed of the liberation of Paris. He was found dead in the woods a few miles from where he was living in South-West France, on August 21, 1944. A couple of days before that, Urvoy had been taken away by a small group claiming to be part of the Resistance, with the accusation of being a Vichy propagandist. By comparison to Urvoy, Perroux had been a much more active figure of Vichy France, while never in “a position of front-rank importance” (Jackson, 2005, p. 156). Yet, Perroux experienced an utterly different fate. He did not only survive the post-war years, but established himself as one of the most influential economists among French academics (Arena, 2000; Dard, 1999), playing a pivotal role in the building of national accounting to conduct indicative planning (Cohen, 2012; Fourquet, 1980; Nord, 2010). Perroux was eventually appointed at the *Collège de France* in 1955.

The narrative that has been briefly outlined here prompts several questions. Over and above the contingencies and arbitrariness associated with the transition from one regime to another, how can we account for Perroux’s steady path to success from the early 1930s to the post-war period? How did Perroux cope with the rise and fall of Vichy authoritarian rule? And did this episode alter, in some respects, the way of doing economics in France?

In this chapter, we argue that the Vichy regime was a suitable vehicle for the promotion of Perroux’s ideas and career, and that he managed to make the best of a highly uncertain situation. What emerges from Perroux’s institutional and intellectual entrepreneurship is the way in which he pushed the economic discipline in two different – yet for him complementary – ways during the Occupation. On one hand, French economists had to catch up with the most recent specialized achievements of theoretical economics in the international arena. On the other hand, Perroux supported the building of a “Science of Man” [*Science de l’Homme*] in which economics should be open to social sciences, in general, and to biology, in particular. This innovative revival of French economics was designed

to lead public policy toward the adoption of a truly corporative economy that Perroux outlined in his writings.

By drawing on archival insights from Perroux's papers (opened in 2007), this chapter will complement two previous contributions that dealt with his career during the Occupation (Cohen, 2006; Jackson, 2005).²

Antonin Cohen (2006) documented Perroux's pivotal role in reformulating some corporatist ideas associated with the reactionary milieu into the reformist language associated with Keynesianism after 1945. We will underline the crucial role played in this process by the *Centre d'Échanges de Théorie Économique* (CETE), created in 1943 by Perroux and Henri Denis. This Centre for exchanges of economic theory was a hub of young economists determined to reshape French economics, in which Keynesian economics was only one component among many others.

Regarding Perroux's skillful handling with the Liberation, Julian Jackson (2005, p. 166) suggested that it was because Perroux "considered himself first and foremost an economist that he was able to be so flexible in the actualization of his social and political ideas." However, it has been argued that Perroux was "not an 'economist' at all" but first and foremost a "political theorist" (Lindenberg, 1990, p. 245). In many respects this second position is hard to support in extenso, and yet it illustrates what Jackson (2005, p. 166) termed the "tension between Perroux the economist and Perroux the social theorist." By contrast, this chapter adopts a comprehensive view, by underlining the complementarity of Perroux's various activities as an academic, propagandist, or expert. Thus, Perroux's status as an economist is insufficient to explain how he adjusted to the regime transition in 1944, and we expose the different strategies he used to neutralize those aspects of his work associated to Vichy's ideology.

EMBRACING THE NEW REGIME: VICHY FRANCE, YEAR ZERO

With the Armistice signed between France and Germany (June 22, 1940) and the demobilization of the French army, Infantry Lieutenant François Perroux returned to civilian life. He was restored to his position as a Professor of economics at the Faculty of Law of Paris and taught throughout the Occupation; but he did much more than that. Perroux was fully committed to France's regeneration and tried to shape Pétain's national revolution in the way he thought was the most appropriate.

By Fall 1940, Perroux was appointed deputy to the Secretary General for Family and Youth (Perrault, 2014, p. 82). It was a privileged place to witness the implementation of a new kind of educational institutions: schools for young official executives [*cadres*], combining physical training with ideological formation. Perroux was an intellectual mentor – through his influential theory of Community (Perroux, 1938) – and an occasional lecturer in the two most prestigious establishments in the domain, the *École nationale des cadres civiques du Mayet-de-Montagne*, and especially the *École nationale des cadres de la jeunesse d'Uriage* (Hellman, 1993).

Perroux supervised doctoral work and taught university courses, wrote countless books, articles, booklets, pamphlets, and notes, and gave conferences for various non-academic audiences. Although Perroux was already a rising star in the 30s, the Vichy regime offered a suitable vehicle to consolidate his reputation.

The rise of the new official ideology rearranged popular places of publication. Perroux adapted easily to this new state of affairs, and published widely in pro-Pétain periodicals (as the weekly *Demain* or the journal *Idées*). He also seized the opportunity to develop new book series for the *Presses Universitaires de France* and to be associated with the creation of new journals (*Économie et Humanisme*, *Cahiers d'études communautaires*).³ Perroux's prolific activities focused entirely on the moral, political, and economic issues of the time. In short, his endorsement of the Vichy regime was not opportunistic, but at least at first truly enthusiastic. As his colleague and friend Yves Mainguy wrote in October 1944: "he [Perroux] believed in Pétain's mission, as I and many French people did."⁴

Vichy France's authoritarian, brutal and – from the very beginning – anti-Semitic politics has been widely documented in the wake of Robert O. Paxton's pioneering study (Paxton, 1972; see also Jackson, 2001; Joly, 2018; Marrus & Paxton, 1995). Yet, the question whether it was to all effects Fascist regime is still a subject of contention in the literature.⁵ Nevertheless, historians do agree on the type of economic system developed by Vichy: a corporatist formula inspired by Antonio Salazar's *Estado Novo* in Portugal (Dard, 2017; Grenard, Le Bot, & Perrin, 2017; Le Crom, 1995).

In following this corporatist orientation, Perroux's economic expertise was limited, but real. From 1941, he was associated with the Economic Advisory Board to the Minister of Finance, and was a member of the constitutional commission that drafted Vichy's labor law. Unsurprisingly, the *Charte du travail* promulgated on October 4, 1941, met with Perroux's strong approval, even if he regretted that the text was not sufficiently ambitious regarding the fundamentals of corporatist economy as he saw it (Perroux, 1941a, 1943b). On this occasion, Perroux (1941b, p. 153) reported positively on what is today considered as the first French fascist movements of the interwar period: the *Parti Social Français* of Colonel La Rocque, Jacques Doriot's *Parti Populaire Français*, and Xavier Vallat, a former member of the Croix-de-Feu, a prominent figure in the reactionary and anti-Semitic right who later became head of the *Commissariat général aux questions juives* from 1941 to 1942. Under the Occupation, Perroux outlined a community of thought between his corporatist tendencies and these anti-republican and reactionary movements.⁶

Perroux forged his expertise on corporative issues during the interwar period. In the 30s, he was close to the Catholic side of what Jean-Louis Loubet del Bayle (1969) branded the "non-conformists" (see also Amzalak, 2011, chapter 4; Dard, 2002). This group included figures like Jean Lacroix and especially Emmanuel Mounier, leading representative of personalism and founder of the journal *Esprit* (Winock, 1996). They all shared a deep aversion to the French Third Republic and to its parliamentary democracy combined with liberal economic structures. Perroux, Mounier, and others saw the rise of foreign dictatorial regimes as an inspiration for the regeneration of France, provided an effort was made to separate the wheat from the chaff.

Perroux carried out this (allegedly) constructive criticism of authoritarian regimes in Europe from 1934 to 1935 thanks to a Rockefeller fellowship (Brisset & Fèvre, 2019a). He scrutinized the institutional structures – moral, legal, political, and economic – and their impact of the daily functioning of market capitalism. In several articles and two influential monographs (Perroux, 1935, 1938), Perroux favored the national-Catholic model (Austria and Portugal) against the totalitarian systems (Italy and Germany).

A few months before the United Kingdom and France declared war on Germany, Perroux (1939) was convinced that French society had to go through a revolution comparable – in intensity – to that of its European neighbors. However, this revolution had to embody a new “fighting force” to “oppose the false energy of totalitarianism.” In his “Reflexions on the national revolution,” probably written by the end of 1940, Perroux highlighted the crucial difference between Germany’s project and the one he wished for France:

Hitlerism made the revolution of biological man against the French Revolution that had made ... the revolution of the man gifted with reason and virtues. We have to make the revolution of the entire man.⁷

While the Vichy regime publicized a traditionalist and agrarian ideology, it also – and perhaps mainly – undertook the modernization of both techno-administrative and socio-economic structures (Clarke, 2011). This modernization process encompassed the anthropological project of “reconstructing mankind” conducted by “social engineers” such as the architect Le Corbusier, the Dr Alexis Carrel or, as it happens, the economist François Perroux (see Jackson, 2001, chapter 14). Perroux’s discourse was strongly infused with the anti-rationalism shared by many “non-conformists” at the time; however, this did not prevent him from setting forward a detailed plan to reform the country both on political and economic issues (Brisset & Fèvre, forthcoming). To implement these proposals, Perroux stressed that the immediate renovation of French economic thought was crucial.

RENOVATING FRENCH ECONOMICS AT THE CARREL FOUNDATION

Perroux reached a key institutional position in September 1942 when he became general secretary of the *Fondation française pour l'étude des problèmes humains* [French foundation for the study of human problems]. Until December 1943, Perroux was in charge of allocating research funds, recruiting staff, coordinating, and mentoring scientific research within the Foundation. From that pivotal position, he tried to instill a new dynamic into French economics.

Created by Pétain in November 1941, the Foundation was soon headed by the Nobel prize for medicine Alexis Carrel; the institution was then informally called the “Carrel Foundation” (Drouard, 1992). The Foundation was the best resourced of the dozen new organizations formed by the Vichy Regime (Denord & Rosental, 2013): it was allocated a budget of 40 billion francs, a dotation comparable to that of the CNRS (created in 1939).

The Carrel Foundation's aim was twofold. On the one hand, it must contribute to the amelioration of the quality of French population (positive eugenics). On the other hand, it had to unite human-related knowledge – biology, psychology, anthropology, sociology, and economics – around the “Science of Man.” The Carrel Foundation hosted path-breaking research on demography (Alfred Sauvy), nutrition (Jean Sutter), or public opinion surveys (Jean Stroetzel) widely influential in the post-WWII period (Drouard, 1983, p. 1018).

In March 1942, Perroux joined the Carrel Foundation as “technical advisor” to the direction.⁸ Perroux's role was then to facilitate the new organization's relationships with existing scientific institutions in general, and with universities in particular (Missenard, 1990, p. 172). Six months later in September 1942, Carrel named Perroux general secretary of the Foundation. Perroux also headed one of the six departments – that of “bio-sociology” – in charge of economic issues, and structured around six teams (social, financial, economic, juridical, administrative, and insurance). To facilitate the advancement of his vision of legitimate economic science, Perroux promoted the creation of a new structure within the Foundation: on January 1, 1943, Carrel appointed the economist Henri Denis director of the CETE.

In fact, this Centre for exchanges of economic theory was on the cards in the last months of 1942. On November 20, Denis outlined the goals and means of the CETE on a three-page typescript.⁹ Here, Denis stressed that the CETE aimed at “promoting purely theoretical research, or rather at the dissemination in our country of a discipline already established,” in particular abroad. Denis claimed that the CETE was more than a mere “compilation effort,” but that foreign studies “could gain in clarity by passing through French brains.” The CETE shall also achieve a “new synthesis” freed from bias of competing chapels – the so-called Vienna, Cambridge, or Stockholm schools were the current labels to map contemporary economics (Perroux in Murat, 1943, p. v).

The CETE was an integral part of the department of bio-sociology, but was placed under the direction of Perroux and Denis. Together they fixed weekly the program.¹⁰ The CETE had the monopoly on the communication of economic theory to the teams of the department. The economic and financial teams in particular were looking for “recent acquisitions in economics to the extent that they appear likely to be applied.”¹¹ Outside the Foundation, the CETE was closely associated to a myriad of other institutions, such as Alfred Sauvy's *Institut de conjoncture*, Charles Rist's *Institut scientifique de recherche économique et sociale*, and Bouvier-Ajam's *Institut d'études corporatives et sociales*, to name only a few (see Cohen, 2006, pp. 581–582).

In a letter to Perroux, Denis noted: “most of us are still in the formative period in the theoretical discipline; but perhaps this only makes exchanges all the more essential.”¹² Some of the core members of the CETE were indeed in their early 30s in 1943, starting with Henri Denis himself and including Yves Mainguy, Pierre Uri, and Charles Bettelheim. Jean Domarchi, one of the most active members of the CETE, was only 27. They were all Perroux's *protégés*.¹³ Secondly, there was a group of somewhat older Professors of Economics in Law Faculties across France, as for instance Jean Marchal (Nancy), Auguste Murat (Lyon), Henri Guitton (Dijon), Henri Hornbostel, and Daniel Villey (both in Poitiers). Finally, rising figures like Maurice Allais as well as prestigious ones like François Divisia,

Gaëtan Pirou, and Charles Rist also gravitated around the CETE, although their day-to-day involvement remains unclear.

Perroux's archive offers a partial picture of the CETE's activities and its evolution over time. Still, Denis' monthly reports kept by Perroux from January to August 1943, as well as other documents, suggest two observations. On the one hand, the CETE aimed at catching-up with the most recent and specialized achievements of theoretical economics. On the other hand, the CETE supported the integration of economics into the "Science of Man." Those two goals were neither antagonistic nor independent, but must be seen as deeply complementary.

CATCHING-UP WITH INTERNATIONAL ECONOMIC THEORY: TOWARD THE SPECIALIZATION OF ECONOMICS

Perroux's contempt for the state of French economics was radical: he claimed French economists "dangerously neglected" economic theory (Perroux in Murat, 1943, p. v), and complained about the "poverty of analytical instruments" found in domestic publications by comparison to international standards.¹⁴ Theory, understood as a set of necessary uniformities that explain relation between economic facts and demonstrated by formal, quantitative, and qualitative methods, had to be at the heart of economics. The Centre for exchanges of economic theory was conceived to achieve this objective.

The CETE was organized around three types of "exchanges": views, services, and pedagogical experiences.¹⁵ The "exchange of views" consisted in seminars on major foreign contributions, followed by a discussion. In April 1943 for instance, Perroux gave a fundamental address on Keynes' *General Theory*.¹⁶ The book had been translated in French only the year before (Keynes, 1942). This is a small episode in the complex history of the reception of Keynes' macroeconomic analysis in France (Arena & Schmidt, 1999), but it is important to stress that Perroux contributed to the introduction of Keynes' thought to a whole generation.

The CETE also promoted the "exchange of services" such as bibliographical references, notes on specific theoretical issues as well as complete or partial translations of foreign publications. Translations, in particular, formed a significant part of the CETE's activity. The method for selecting the articles and books to be translated was clear: only very recent contributions were considered, and the vast majority of the publications came from the late 1930s and early 1940s. English language literature was at the top of the list, along with a few German language (and fewer Italian) contributions. Three journals virtually covered all the selected articles: *Economica*, the *Journal of Political Economy*, and the *Zeitschrift für Nationalökonomie*. After the first six months of running, the CETE had translated 17 articles, provided 13 summarized translations of monographs, and drafted four notes.¹⁷

Contributions were organized in six categories of research.¹⁸ A somewhat catch-all category called "A – general theories" regrouped introductive as well as broad microeconomic studies, such as a summarized translation of

John R. Hicks' *Value and Capital*. The same category also included studies on imperfect market structures (monopolistic competition, duopoly, and oligopolies), with a focus on Joan Robinson's work and a "Note on Duopoly" by Henri Denis. These texts are perfect examples of sophisticated technical research, resolutely theoretical, while nonetheless involving political discussions on the organization and supervision of markets in a capitalist economy.

The second category "B – the role of the factor time" focused on the dominant themes of the 1930s economic literature: business cycle theory. Central to this category was the discussion between the Cambridge approach, developed by Nicholas Kaldor, and the Austrian approach embodied by Friedrich Hayek.

The four remaining categories were more explicitly orientated toward economic policy. The category "C – technical means of economic policy" was the largest of all, and concerned both "a – capitalist" and "b – integral planning" cases. This dichotomy resulted from the plurality of possible economic systems envisaged at that time, but was also the reflex of the various ideological backgrounds of the CETE members. The last remaining categories collected studies on "D – the interest rate," "E – wage and employment," and "F – internal trade," with only a couple of translations for the last one.

Finally, the CETE promoted the "exchange of pedagogic experiences" among its members in general, and professors of economics in particular. Denis stressed that, in the long run, it is "through education that the new discipline [economic theory] will spread, giving a more secure basis for the study of human problems in our country." Perroux's archive does not offer further information on how pedagogic exchanges actually worked. Yet, Perroux's and Denis' strategy for the renovation of French economics went beyond the CETE's mission, highlighted by their support to pedagogic issues.

The creation of the book collection "Theoria" at the *Presses Universitaires de France* in January 1943 provides tangible examples of this pedagogic project. The first volume of the collection is Augustin Murat's *Initiation à la théorie économique* (1943), a textbook including model questions for exams. This collection contained both broad introductive synthesis (Perroux, 1943a) and theoretical treatments of a specific issue (Denis, 1943). The connection with the CETE's activity is attested by the themes and authors of the first volumes published in the series.

In his preface to the first volume of the "Theoria" collection (dated December 1942), Perroux stressed how significant economic theory was in guiding political and administrative decisions. From this perspective, economic theory could not be replaced by in-depth administrative and juridical descriptions of a given economic structure (typical of French economic literature). A reformed economic science should precede a politic of reform:

Anyone who has approached – however little – Governing Councils has been struck by the disorder and unpreparedness in which, even in normal times, the most fundamental measures are decided. He has acquired a certain scepticism towards so many leaders, whose information dates back to the day before, thanks to the diligent care of their offices. (Perroux in Murat, 1943, p. viii)

Therefore, economists, insofar as they were initiated into economic theory, would become the Prince's advisors *par excellence*. The economist thus conceived by Perroux

would be able to inform political leaders in a competent manner, and legitimate their decisions. But theory was also expected to play a leading role in every simple economic decision: whether the everyday actions of consumers and producers, a monetary reform by the Central Bank, or the Government's control of the price system.

THE SCIENCE OF MAN: TOWARD THE INTEGRATION OF ECONOMICS

CETE's effort to update economic theory was less the esthetic pursuit of formal sophistication, than an attempt to improve public decision-making. Yet, to be the "political advisor for new times" (Perroux, 1943e, p. 12), economic analysis had to be integrated within the wider scientific knowledge of "the science of man." What this integration would actually imply for economics was the subject explored by Perroux (1943d) in a conference entitled "Science of man and economic science" [*Science de l'homme et science économique*].

Perroux (1943d, p. 13) was trying to draw the consequences, for economics, of Carrel's call for the making of "a *scientific knowledge* of man in its entirety." To do so, Perroux argued that economics should be more technical and at the same time should pay more attention to the complexity of mankind. This perspective rested on a dualistic vision of the individual: a tension between man's physical nature, bound by necessity, and his spiritual nature, made of "pure spontaneity and liberty" (Perroux, 1943d, p. 39). Economics, as a purely abstract, formal, and rational science was required in dealing with physical necessity, but would be incapable of addressing the "total and living man" (Perroux, 1943d, p. 10). Denis stressed the same difficulty in his 1943-February report of the CETE's activities:

This is a completely new problem: it is too certain that traditional economics considers man in a completely partial and distorting way by refusing to see in man anything other than a calculation centre.¹⁹

In particular, modern economics integrated a "superficial psychology that has poorly assimilated" the most recent achievement of this discipline (Perroux, 1943d, p. 9). According to Denis, the more CETE members advanced in economic theory, the more they were convinced this progress should be made "in conjunction with other branches of human science" and within the scope of the science of man.²⁰

According to Perroux, several economic doctrines tried to counteract the formalist trend of modern economics well before the 1940s. He mentioned in particular Marxism, American intuitionism or, in France, François Simiand. Yet according to Perroux (1943d, pp. 10–11), such theories added almost nothing to the theoretical core of economics. In his view, treating mankind as a material and spiritual whole resulted in a strict separation of tasks between the science of man, on the one hand, and economic analysis on the other. The science of man should deal with the "purposes" and "goals to achieve," working as a "reliable guide to a formal and neutral economic science" (Perroux, 1943d, pp. 14–15). Conversely, economics must provide the best economical way to achieve it within a set of technical constraints.

Perroux's perspective was inspired by Lionel Robbins' definition of economics as a science of choice (Perroux, 1943d, p. 21). Nevertheless, the science of man should correct the radical subjectivism of modern economic theory. Against the liberal approach, Perroux stressed that an individual "does not always desire what is objectively good for him" (Perroux, 1943d, p. 23). The gap between "subjective desire" on the one hand, and actual "needs" on the other could be corrected by the science of man, not only through the education of political and economic leaders, but most notably of public opinion. Perroux also noted that "modern techniques" of "suggestion" and "conditioning" would play a central role in this process (Perroux, 1943d, p. 34). Containing individual liberty and instituting a form of paternalism would be required to suppress the "economic tyranny" that the supply side exerted on the demand side through aggressive advertising or imposed characteristics of primary goods (Perroux, 1943d, p. 35).

According to Perroux, the profound transformation of the capitalist market – the "economic revolution" as he put it – started in the interwar period. Dictatorial regimes embarked on a "*communitarian and authoritarian economy*" promoting the development of biology of social hygiene. In short, the capitalist "economy of profit" declined "in favour of the economy of satisfying objectively estimated needs" (Perroux, 1943d, pp. 29–30). This process became even more obvious during the war: the rationing of the population was organized by a mixed commission of economists and health specialists, calculating objective needs in terms of calories and vitamins.²¹ Far from being abandoned in peacetime, such practices should be generalized to all spheres of the economy: the "French rebirth" would depend on it (Perroux, 1943d, p. 35).

Perroux's methodological and theoretical program influenced the way in which he runs the Carrel Foundation. For instance, he pushed the "economic team" of his department to refocus their activity on "social issues more directly related to the science of man." This resulted in searching how to "humanize the firm"²² and thus to counteract the "psycho-technics exclusively orientated towards material efficiency" (Perroux, 1943d, p. 25). On the one hand, this approach led the Carrel Foundation to take a stand in favor of the generalization of work medicine within firms to respect individuals' biological rhythm. On the other hand, more conservative themes were also placed in the forefront, such as the traditional division between genders. Indeed for Perroux, "there is an *order according to nature* and an *order against nature*" (Perroux, 1943d, p. 14); and a wife "natural" role would be at home raising children and looking after the house, in line with the traditionalist–natalist politics of Vichy (Jennings, 2002; Pollard, 1998).

Clearly, Perroux's own perspective cannot be generalized to all CETE members; however, it did have implications for French economics as a whole. Perroux's (1943d) so-called great "synthesis" (p. 35) was not neutral regarding the hierarchy of scientific disciplines. Paradoxically, the creation of a unified science of man could be seen as a process of empowerment of economics. By pairing economics with biology, Perroux (1943c) intended to liberate economics from the law, its mother discipline within universities (Le Van-Lemesle, 2004). He multiplied direct attacks against "lawyers's rigidities and easy solutions" (Perroux, in 1943e, p. 12). He also indirectly questioned the political and social role of this profession

by emphasizing that the community “exceeds any legal organisation” and “generates its own norms” (Perroux, 1942, p. 10). Using different arguments, Perroux (1942) conducted the same kind of attack against sociology and tried to marginalize the Durkheimian schools (Brisset, Fèvre, & Juille, 2019). Given his position, the difficulty experienced by the CETE members in finding “psychologists and sociologists interested in confronting their views with economists” was far from surprising.²³

Perroux's activity at the Carrel Foundation was intense but short-lived. In December 1943, Carrel obtained his resignation.²⁴ Most of Perroux's former associates left the Carrel Foundation and followed him at the *Institut de Science Économique Appliquée* (ISEA), a new structure he set up in the early months of 1944.²⁵ *De facto*, his departure signed the end of the CETE; and yet the Centre's spirit survived in other forms within the ISEA, where a “theoretical study group” included more or less the same contributors and addressed the same interests.²⁶

In retrospect, Perroux's dismissal from the Carrel Foundation was a fortunate circumstance in view of the Liberation of France. However, the main threat to Perroux's reputation was less his official responsibility at the Foundation, than the ideological stand he adopted outside official channels at the same period.

RENAÎTRE, GROUNDWORK FOR TOMORROW'S NATIONAL REVOLUTION

The year 1942 was pivotal in Vichy France's politics. On May 18, Pétain reappointed Pierre Laval head of the government. Laval was pushing for the absolute collaboration of the French government with Nazi authorities. One of the most notable outcomes of this inflection was the imposition of the yellow star to Jews living in the Occupied Zone by June 7. On November 11, German and Italian forces invaded the free zone as a result of the Allies' landing in North Africa. The growing collaborationist policy of the Vichy regime combined with the violation of the Free Zone by the Axis powers swelled the ranks of the Resistance.

In this context, even some of Vichy's early enthusiasts turned their back on French authorities. For instance, the Uriage community together with the Catholic *milieu* of Lyon tried to promote a synthesis between certain aspirations of the national revolution, and those of the patriotic movement parts of the Resistance. Uriage's new orientation met with Perroux's strong disapproval (Hellman, 1993, p. 125; Lindenberg, 1990, p. 234). Perroux followed another path that remained apparently distant from the spirit of the Resistance: neither a change of direction nor even a mitigation, but rather a deepening of his early beliefs in the national revolution. In his courses, he called for a “second national revolution” (Perroux, 1943b, p. 345). He chose this line in close collaboration with Yves Urvoy.

Urvoy was an Africanist – a historian and a geographer – specialized in French colonies. He was 39 (three years older than Perroux) when the war began. Like Perroux, he was an officer and served in the 1940 campaign. He received several decorations, military and civil ones. An eager supporter of Pétain, Urvoy was awarded the *Francisque*, Vichy France's supreme decoration (unlike Perroux).

Perroux met Urvoy by the beginning of 1942, when the latter assumed the direction of the newly created *Institut national de formation légionnaire*.²⁷ Perroux gave conferences in this structure created by the Vichy Regime to provide ideological instruction to “légionnaires” (mainly veterans but also supporters of the national revolution). Urvoy soon resigned, in May 1942, apparently dissatisfied with a position of “mere ideological spokesman” according to his son (Urvoy, 1978, p. 76). Following this episode, Perroux and Urvoy – who grew closer – embarked on the *Renaître* [Reborn] project, formally underway in July 1942 in the free zone (Perroux & Urvoy, 1943b, p. 3). At the time, Perroux insisted on the elective affinities he shared with Urvoy, stressing that their “two thoughts were predestined to be fraternal.”²⁸

Renaître’s main outcome consisted in two dozen small-size booklets published in the course of 1943. These pamphlets addressed themes Perroux had elaborated at length throughout the 30s (see Brisset & Fèvre, forthcoming): revolutions (in history and in the present), the French political system and its need for strong leaders, the “working community” as well as specific economic issues, such as price theory. In the booklet *La théorie des valeurs en économie politique* [The theory of values in political economy] for instance, Perroux addressed to a wider audience the same academic discourse held within the Carrel Foundation:

Marginalism cannot be reduced to the limited domain of the so-called “analytical” discipline. It is the only way to correctly interpret the most social – and even the most socialized – life there is Far from eliminating the role of decision and political coercion, marginalist theory shows this in its purity and rigour. (Perroux & Urvoy, 1943a, p. 21, 23)

Again, Perroux was making the case for modern economic theory. Abstract reasoning could be a true asset in building rational political decisions, but only if complemented by – used in the interpretative framework of – the Science of Man. Perroux’s remarks on economic theory highlights the continuum of reflections between his expert and pamphleteer activities – although expressed in a slightly different way depending on the audience.

The audience of *Renaître* was first and foremost made of legionaries, but eventually grew broader. Initially, *Renaître*’s booklets were issued only in the Free Zone. But soon, Perroux and Urvoy compiled these brochures in thematic books (while modifying the text at the margin) in order to circulate them also in the Occupied Zone. Accordingly, the books were authorized and distributed by two publishers: the *Éditions de la renaissance européenne* from the Principality of Monaco (printed in Nice for the South Zone) and the *Librairie de Médecis* in Paris (North Zone). The first four volumes were issued at the end of 1943.

The first volume of the *Renaître* book series was entitled *La révolution en marche* [The revolution in progress]. In the preface, Perroux and Urvoy (1943b) outlined their ideal of a “communitarian National Revolution” (p. 3). Their ambition was to shape a “French doctrine of Community” as Perroux wrote in another context (Perroux, 1943e, p. 7). Perroux and Urvoy’s rhetoric associated “political and social conservatism” to the democratic forces of the Third Republic, and to all those fighting for its return (as some Resistance circles in particular):

What the French call freedom is not participation, but the resistance to power which for these weak hearts is always: oppression. Against this mediocrity, this enfeeblement, we have to remember

that the power, before being limited, must be established. Politics ... has nothing to do, even remotely, with the old dodderers' toy [*le joujou pour gâteux*] that we had in France between 1918 and 1940. (Perroux & Urvoy, 1943c, p. 115)

Renâître was to be the *avant-garde* of the national revolution.²⁹ Yet, Perroux and Urvoy (1943b, pp. 3–4) stressed that in the current circumstances, only a “pre-revolutionary” action was possible; meaning that *Renâître* was not about “recruiting” or “supervising” a growing number of persons, but a group “limited to two members.” Such prudent language seemed required to avoid attracting authorities’ (both French and German) suspicious eye. Even if *Renâître* promoted ideas mainly in line with Vichy’s official discourse, attempts to form independent groups could only be misunderstood. Still, there can be no doubt that from the beginning, Perroux and Urvoy had the ambition to federate a team around them and their project. This strategy was mentioned as early as July 1942 in a letter Dr Raymond Bernard addressed to Perroux.³⁰ The former urged Perroux not only to focus on the “twenty, thirty or forty possible leaders you have ‘discovered’ ” but also to look for “troops” and “ ‘non-commissioned officers’ of the future National Revolution.” Pursuing a discussion they apparently had a few days earlier, Dr Bernard continued on their common aspirations:

Like you and forever, I have developed an absolute disgust of the bourgeoisie Without being fascist in any way, I always wonder when the party that could also be called “France first” [*la France d’abord*] will emerge in our country.

This quotation raises a difficult question: what was *Renâître*’s actual ideological message? Perroux presented it as a “movement to train political elites,” free from established groups or political parties, claiming to be aligned neither with Charles Maurras’ far-right group (*Action Française*), nor with the cosmopolitan views of a “nation stretched to the dimension of the world.”³¹

From the beginning, *Renâître* was welcomed as a doctrinal support to the Vichy regime, receiving approval from the French State affiliated press, that published extracts of the booklets (Cohen, 2012, p. 256). Yet, in April 1944, the Parisian periodical *La Flèche* stressed that Perroux and Urvoy would find “many detractors from a wide variety of milieus.”³² The author of this text regretted for instance “a ‘personalism’ in suspicious opposition to the State and authority” considered sterile because “in contradiction with the major ineluctable political tendencies of our time.”

Was Perroux and Urvoy’s argument unclear or even obscure? Was it part of a strategy to satisfy different ideological currents, waiting for the end of the war and the victory of one side or the other? Or was *Renâître* the attempt to follow a path of ridges, critical of both Vichy’s shortcomings and the calls for a return to pre-war democratic institutions, expressed by certain groups in the Resistance?

NEGOTIATING THE POST-WAR SHIFT: CHANGING REGIMES, CHANGING WORDS

As the year 1944 progressed, the question was no longer *whether* the Allies would liberate France, but *when* precisely this would happen. At that period, Perroux

neither denied his past writings, nor reversed significantly his views. Yet, Perroux's archive shows a whole range of strategies to neutralize aspects of his work closely associated with Vichy's ideology. For instance, Perroux smoothed out his most open criticisms toward democracy (and communism), purged certain terms from his vocabulary, gave a new impetus to *Renaitre* by renaming it *Groupe Travail*, and approached socialist and Gaullist circles alike. He also received the support of friends – especially Yves Mainguy – to account for his activities under the Occupation.

Obviously, the scientific respectability of the newly created ISEA exercised a kind of protection for Perroux, as it enjoyed the patronage of forefront French economists, as well as of foreign sponsors like Keynes (Cohen, 2006, pp. 583–584). Yet in parallel, Perroux not only pursued his propaganda activities within *Renaitre* but assumed alone its editorship in November 1943, when Urvoy gave up to him the “political direction of the entire movement.”³³ This responsibility turned out to be a real burden for Perroux: his uncomfortable position in the aftermath of the liberation of Paris (August 25, 1944) is well documented by his correspondence.

On October 16, Perroux received a letter from Paulette Pottier, a Lille resident whose husband had been involved in the group *Renaitre* and who has since been arrested. She worried about Perroux's reputation, and urged him to visit Lille to clear up any misunderstanding: “It is common here to hear you called a Vichy reactionary, or that the Urvoy–Perroux Revolution is a revolution for self-righteous bourgeois,” she claimed.³⁴

Around that time, Perroux received a short text entitled “Perroux et la politique” [Perroux and politics] written by his friend Mainguy and signed on October 4, 1944. Mainguy wrote an 11 pages manuscript, the central object of which was to rehabilitate Perroux's acts and ideas “suspect of authoritarianism.” However, it was not the first time that Perroux was accused of inclination toward fascism (in a broad sense). Back in the 1930s, the leftist side of *Esprit*'s contributors wanted Perroux out, judging he was too supportive to foreign dictatorships (Winock, 1996, p. 151). Similarly, by the end of 1944, Perroux had been asked to leave the editorial board of the Catholic journal *Économie et Humanisme* together with Gustave Thibon, Pétain's favorite philosopher. The objective was to protect the journal from the Liberation's legal purge (Pelletier, 1996, p. 52). The true status of Mainguy's text is uncertain, but is probably linked to this episode.³⁵

Mainguy offered a somewhat heroic narrative. If Perroux followed Pétain in 1940, as almost everyone else according to Mainguy, he then “quickly understood the odious mystification, and he broke off” with Vichy (the text provides no evidence to support this claim). Rather than joining the “clandestine” Resistance though, Perroux had allegedly chosen to “fight with his face uncovered.” Yet with *Renaitre*, Perroux was “victim of his ardour,” and associated himself with the wrong people, such as Urvoy. If the latter is not explicitly mentioned in the text, Mainguy's description of “an admirable man but a political nullity” associated with “legionary circles” leaves no doubt on his identity.

The legacy of *Renaitre* became a menace for Perroux's reputation, and he was aware of it. His archive includes the proofs of the third chapter of the sixth

Renaître volume.³⁶ This volume devoted to economic issues (the second one) was never published. Yet, Perroux's hand-written annotations of the proofs offer a rare illustration of his "rephrasing" strategy. The title of the chapter was extended and became: "Credit in an organized [*and socialized*] economy." This addition was far from banal in the light of the other corrections to the chapter's body. Indeed, the terms "corporative" and "communitarian" were systematically crossed out. Perroux replaced the expression "corporate and community economy" by "organized and socialized economy" half a dozen times in a few pages.

This typescript is undated, but Perroux did certainly proof-read it by mid-1944. Although these terms are found in different parts of his reflections on corporatism in the 1930s, the first explicit use of this kind of expression since 1940 dates back to April 29, 1944, in a conference entitled "Organized economy and socialized economy" where Perroux openly envisaged the Allies' final victory.³⁷ Clearly, the lexical field of corporatism/communitarianism was closely associated with Vichy's rhetoric and to Fascist lexicon. Those terms had to be replaced by neutral expressions, or socialist-orientated terms in tune with the dominant political mood.³⁸

Changing vocabulary was not enough, and *Renaître* as a brand had to disappear. The liberation of Paris gave Perroux the opportunity to recycle it. On the September 1, 1944, Perroux took part in a meeting with a small group of socialist-oriented academics. Labeled "Science – Action – Liberation," this project was initiated by Pierre Girard, head of the *Institut de biologie psycho-chimique* of Paris. Girard aimed at uniting scientists from various disciplines to plan the rebuilding of post-war France in an "antinationalist" and "anticapitalistic" way (Claude, 1990, p. 191). During the first meeting, Perroux was clearly on the defensive, as is attested by the minutes.³⁹ He took the initiative by saying: "some people thought they were allowed to portray me as authoritarian, and even fascist, which is really a hasty conclusion based on appearances." Perroux then lied about the creation of *Renaître*, claiming he founded it in 1938 (so before the beginning of the war). He also offered a rather free interpretation of *Renaître*'s "central theme," claiming it was the shaping of "a deeply popular and socialist doctrine in the interest of masses," while recognizing the necessary use of "authoritarian techniques," but not fascist ones.

Perroux's strongest asset to joining the project "Science – Action – Liberation" was the network of *Renaître*. He stressed there were more than 4,500 subscribers to his leaflets series. *Renaître* would be rich of about 50 young "Parisian instructors," coming from various professional backgrounds, "trained and ready to carry out immediate propaganda." Perroux also mentioned a group in Lille, claiming it was formed exclusively of workers. He emphasized that some of its members would have been arrested by the German as well as by Vichy authorities.

Perroux's strategy proved effective, and he took charge of the economic section of the project "Science – Action – Liberation." *Renaître* was then renamed *Groupes Travail* [Labour Groups], as Perroux tried to tell Urvoy (see the general introduction).⁴⁰ In a letter dated December 1, 1944, Mainguy urged Perroux to keep a tight separation between the activities of the *Groupe Travail*, focused on action and doctrine, on the one hand, and the scientific research conducted at the ISEA on the other hand.⁴¹ In particular, Mainguy advocated a strict division of

the staff, avoiding any passage from one institution to another (an initiative that Mainguy already advocated – in vain – when Perroux left the Carrel Foundation and founded the ISEA).

A new eponym series of pamphlets – *Groupes Travail* – was underway and was issued throughout 1945. Perroux used a similar formula to that of *Renâître*. The covers carrying the title “What are the Labour Groups?” followed Perroux’s emphatic phraseology: “the duty of our generation” was to “bring out forms of life that are authentically human” (Perroux, 1945c). However, several remarkable changes occurred from one publication series to another. For instance, Perroux now condemned “fascist statism” in the same way as he did before with the couple “Liberal capitalism” and “individualistic democracy.” He also abandoned his central concept of “Working Community” preferring to call for a loosely defined “Civilization of Labor.”⁴² The authority figures cited in the pamphlets are also different from Perroux’s usual pantheon, with quotations from leftist intellectuals in particular (Marx, Lenin, Staline, Gradziadei, or Thorez). Place of pride was also given to Charles de Gaulle.

Indeed, Perroux opened the pamphlet *Le pouvoir politique et ses fonctions* (1945b) with a celebration of De Gaulle. He used the same argument about the legitimacy of De Gaulle’s seize to power that he had held about Pétain in 1940: that of a strong political leader who, without consulting the masses, or waiting for popular approval (election), embodies the nation’s aspiration (Perroux, 1941a, p. 16, 1945b, p. 2). Retrospectively, Perroux’s comment looks utterly opportunistic; and yet, there is a certain intellectual consistency behind it, as Perroux seemed genuinely at ease with the new French executive power. As he emphasized in his last letter to Urvoy:

The team of young 40-year-old ministers who came to power is very friendly: it has the great advantage of being composed of men who owe nothing to voters, and who have fought hard to win their titles and functions.⁴³

After all, democratic representation was not instantly restored at the Liberation, to Perroux’s satisfaction.

Less than a year after the liberation of Paris, Perroux was able to adapt fully to the new political mood, and consolidated the position of influence he had gained under the Occupation. On June 21, 1945, Perroux was sent on a mission to London by the Ministry of Finance of the Provisional Government to “study Franco-British economic and financial relations and their international implications.”⁴⁴ At that time, Perroux and his ISEA colleagues formed strong connexions with British economists on the building of national accounting. This episode marked a decisive step forward in the installation of Keynesianism in French intellectual and political circles of the post-war era (Dard, 1998; Rosanvallon, 1989).

CONCLUSION

This chapter tried to account for Perroux’s professional and intellectual itinerary: its logic, its strategical moves as well as some of its ambiguities. Perroux’s institutional and intellectual entrepreneurship aimed at reshaping French economics

along two lines: unifying economics with other social sciences, on the one hand, and developing its most analytical aspects on the other hand. Perroux used his strategic position as general secretary of the Carrel Foundation and head of the department of bio-sociology to disseminate the economic theory carefully selected and made available by the CETE. Thus, Perroux seized the opportunity to push strongly for the introduction and dissemination of foreign theoretical studies within French economics, quite counter-intuitively to the expected nationalistic approach associated with authoritarian rule.

Perroux and the CETE members pursued their project in relative freedom from political pressures. Yet, Perroux ambitioned to counsel public decision-making, indicating the economist as the Prince's advisor *par excellence*. Perroux's ideas were undeniably Vichy material, and he aimed at embodying the *avant-garde* of the national revolution with the project *Renâitre*. With the approaching of the Liberation, Perroux's pamphleteer activity was a heavy burden to carry. To handle the transition, therefore he mobilized a whole range of strategies to neutralize aspects of his work closely associated with Vichy's ideology.

How did Perroux cope with the rise and fall of the Vichy regime? In considering the conduct of intellectuals under Vichy France, our contemporary eye is tempted to look for clear-cut ideological stands: either resistant or collaborationist. Like others, Perroux is a somewhat more complex figure. Openly pro-Pétain (at least in the early years), he remained anchored to the ideals of the national revolution throughout the Occupation. A generous reading would underline that Perroux was fully committed to France's economic and spiritual recovery, worked to modernize French economic thinking and that carried his ideas regardless of the political context. A less generous interpretation would rather conclude that Perroux organized the domination of economics over social sciences, skillfully maneuvered for the advancement of his career and for saving his own prospects at the Liberation.

Was Perroux's trajectory representative of that of academic economists as a whole? Clearly not. As this chapter showed, Perroux created for himself a unique path. However, his capacity to unite young and less young colleagues around new projects and sites of expertise participated in the institutionalization and professionalization of economics in post-war France.

NOTES

1. Correspondance générale: Perroux à Urvoy, Septembre 25, 1944 (690PRX/302/44).
2. Perroux's archive is hold at the Institute for Contemporary Publishing Archives (IMEC) of Caen. In the following pages, archival marks (PRX) are referenced in notes. All translations of the French primary and secondary sources in English are ours.
3. Directeur de collections et de cahiers au Presses Universitaires de France (690PRX/289/12-13-14).
4. Correspondance générale: Maydiou à Perroux, s.d. (690PRX/302/30).
5. Sternhell (1978, 2012) and Soucy (1986, 1995) argued that a "French fascism" was widely shared among the interwar French society. However, this thesis was largely nuanced by Burrin (1986) and Bernstein and Winock (2014) who rather stressed a "fascist drift" limited to a well-identified group of intellectuals.
6. These elements are developed in more depth in Brisset and Fèvre (2019b).

7. Notes de lecture : Réflexions sur la révolution nationale (377PRX/155/2).
8. *Lettres de François Perroux* (1942), Fondation Carrel (690PRX/303/1).
9. Projet d'un Centre d'études et d'échanges sur la théorie économique (690PRX/289/20).
10. Note sur le Centre d'études et d'échanges de la théorie économique (690PRX/289/20).
11. Rapports d'activité, plans de travaux : équipe financière (690PRX/289/16).
12. Projet d'un Centre d'études et d'échanges sur la théorie économique (690PRX/289/20).
13. Denis published a short text titled *La corporation* (Denis, 1941, p. 6) where he stressed the deep intellectual debt he owes to him. Maingy was Perroux's personal assistant at the Carrel Foundation, and the *agrégé* of philosophy Pierre Uri his student (he used the acronym Rémi Prieur during the Occupation to conceal his Jewish origin).
14. Rapport sur l'activité du département VI, 1943 (690PRX/291/3).
15. Projet d'un Centre d'études et d'échanges sur la théorie économique (690PRX/289/20).
16. Rapports mensuels d'activité des équipes: CETE, avril 1943 (690PRX/290/4). CETE seminars were probably monthly planned, but they were not properly referenced in Perroux's archive.
17. Perroux's archive contains no information whatsoever on the daily constraints imposed by the political conjuncture on the CETE activity, such as for instance how members acquired recent Anglo-Saxon literature, and if this literature was subject of an embargo. Regarding censorship, we know that Perroux's *Des mythes hitlériens à l'Europe allemande* (1940) was placed on the Otto list, but also that Perroux extensively wrote in a press supported by Vichy's Ministry of censorship (Brisset & Fèvre, 2019b).
18. Rapport sur l'activité du département VI, 1943 (690PRX/291/3).
19. Rapports mensuels d'activité des équipes: CETE, février 1943 (690PRX/290/4).
20. Rapports mensuels d'activité des équipes: CETE, avril 1943 (690PRX/290/4).
21. This particular case is part of a wider trend looking for minimal wages satisfying biosocial condition (Simmons, 2015, chapter 7).
22. Rapports d'activités, plans de travaux: équipe économique (690PRX/289/17).
23. Rapports mensuels d'activité des équipes: CETE, mars 1943 (690PRX/290/4).
24. The correspondence between the two men points to fundamental disagreements over the financial, administrative, and scientific management of the Foundation. Yet, the crux of their disagreement concerned ego issues: Carrel accused the economist of taking over the structure, transforming it into a "Perroux Foundation" so to speak (see Drouard, 1992, pp. 162–163).
25. By mid-February 1944, Perroux's institute was already in "full boom" (690PRX/302/44).
26. Groupe d'étude théorique, procès-verbaux ISEA 1944–45 (690PRX/292/8).
27. This Institute was a sub-entity of *La légion française des combattants*, Vichy's closet organisation to a unique party. In January 1943, the *Légion* gave birth to the para-military organisation, *La Milice française*, that assisted the Gestapo in the fight against the Resistance (see Baruch, 1997; Cointet, 1995).
28. Conférences, Septembre 1943 (690PRX/292/5).
29. For a discussion of the content of *Renaitre's* booklets, see Cohen (2012, pp. 250–255).
30. Correspondance professionnelle générale (690PRX/303/15).
31. Conférences, Septembre 1943 (690PRX/292/5).
32. Textes divers imprimés: Groupe Travail (690PRX/291/10).
33. Correspondance générale: Urvoy à Perroux, Novembre 22, 1943 (690PRX/302/45).
34. Groupe Travail (690PRX/303/3).
35. Perroux received the text from Jean Maydiou, a Priest-intellectual associated with the Uriage community, on behalf of the Catholic editor *Les éditions du Cerf*. We found no published version of the text. Correspondance générale: Maydiou à Perroux, s.d. (690PRX/302/30).
36. Le crédit dans une économie organisée (377PRX/37/24).
37. Conférence "Économie organisée et économie socialisée" (377PRX/95/10). It will also be the name of a subsequent publication (Perroux, 1945a).
38. The word "community" will nevertheless experience a deep revival through Jean Monnet's European project, precisely seconded by Perroux's former associates Mainguy and Uri (Cohen, 2018).

39. Projet Science Action Libération: procès-verbal (690PRX/292/7).
40. Correspondance générale: Perroux à Urvoy, Septembre 25, 1944 (690PRX/302/44).
41. Correspondance générale : Mainguy à Perroux, Décembre 1, 1944 (690PRX/302/30).
42. We find both expressions associated in the final section of his 1943 course (Perroux, 1943b, p. 544).
43. Correspondance générale: Perroux à Urvoy, Septembre 25, 1944 (690PRX/302/44).
44. Documents d'identité : ordre de mission 1945 (690PRX/274/8).

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PART II

ESSAYS

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CHAPTER 9

KARL MENDER'S UNFINISHED BIOGRAPHY OF HIS FATHER: NEW INSIGHTS INTO CARL MENDER'S LIFE THROUGH 1889

Reinhard Schumacher and Scott Scheall

ABSTRACT

During the last years of his life, the mathematician Karl Menger worked on a biography of his father, the economist and founder of the Austrian School of Economics, Carl Menger. The younger Menger never finished the work. While working in the Menger collections at Duke University's David M. Rubenstein Rare Book and Manuscript Library, we discovered draft chapters of the biography, a valuable source of information given that relatively little is known about Carl Menger's life nearly a hundred years after his death. The unfinished biography covers Carl Menger's family background and his life through early 1889. In this chapter, the authors discuss the biography and the most valuable new insights it provides into Carl Menger's life, including Carl Menger's family, his childhood, his student years, his time working as a journalist and newspaper editor, his early scientific career, and his relationship with Crown Prince Rudolf.

Keywords: Carl Menger; Karl Menger; Austrian Economics; Liberalism in Austria; Crown Prince Rudolf; Anton Menger

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INTRODUCTION

Carl Menger is known in economics as the father of the Austrian School and as one of the three founders, together with William Stanley Jevons and Léon Walras, of the theory of marginal utility. Given his prominent role in the history of economic thought, it is surprising that relatively little is known about his life. Indeed, to our knowledge, his full birth name has not even been published before: Carl Eberhart Anton Menger.

There are several reasons for this state of affairs. First, tributes for his 70th, 75th, and 80th birthdays, as well as obituaries published after his death in 1921, dealt mainly with his scientific accomplishments and offered few insights into his life or personality. Even friends did not know much about his biography. An associate as close as Friedrich von Wieser had to ask Menger's son (Wieser, 1921) for background details to include in the two obituaries he wrote for Menger (Wieser 1929 [1921], 1929 [1923]). When F. A. Hayek, who did not know Menger personally, wrote a detailed biographical article on the founder of the Austrian School in the early 1930s (see Hayek, 1934), he also relied on information obtained from Karl Menger (1984). Second, only a relatively small part of Menger's correspondence has survived. Karl reports that his father burned two large cartons containing most of his correspondence sometime around 1912, telling his son: "Here I am burning my biography." A third reason is that Karl kept what material his father had left and did not make it available to scholars. The younger Menger was aware of the value of this material and had plans, which never came to fruition, to publish some of his father's unpublished works.

Karl Menger was thoroughly familiar with his father's scientific contributions. He assisted his father with revising the *Grundsätze der Volkswirtschaftslehre*, and was responsible for editing and publishing the posthumous second edition in 1923 (Scheall & Schumacher, 2018). Karl included some biographical information about his father in the introduction to this edition, and described his plan to publish more of his father's unpublished works (K. Menger, 1923). Possibly in connection with this plan, late in the 1920s, the younger Menger contacted the municipal archivist of Eger (today's *Cheb*), ancestral home of the Menger clan, for information on his forebears (Siegl, 1928a, 1928b). In the 1930s, while attending conferences in Poland and what was then Czechoslovakia, Karl visited places connected with his father's childhood and studied archival documents for details about his family.¹ However, no further material was published.

Later in life, Karl Menger returned to his father's history. The idea for a biography was not new. In 1981, he wrote to Gottfried Haberler that "[f]or several decades, our friend Hayek has been after me suggesting that I write an intellectual biography of [my father]" (K. Menger, 1981). It was only in the late 1970s that Menger started taking Hayek's suggestion more seriously. Sometime in either 1977 or 1978, Menger approached the *Siebeck Verlag*, which had reprinted Carl Menger's *Gesammelte Werke* (*Collected Works*), to gauge their interest in a Menger biography. *Siebeck* declined (Zlabinger, 1978), but Menger eventually found a press. The biography was intended to be published as part of the

International Carl Menger Library, in conjunction first with *Philosophia Verlag* and later with the *Carl Menger Insitut* in Vienna.² In the same letter to Haberler, Karl stated that he had started writing the biography in the spring of 1981. He circulated draft chapters for comments to Haberler, Hayek, and Herbert Fürth in the early 1980s.³ By the mid-1980s, his friends were eager for the book's publication, but Menger never managed to finish the biography, "in spite of my father's efforts up to his last days with us," as his daughter [Rosemary Menger Gilmore \(1985\)](#) wrote in a letter to Haberler. Aware that he might not live long enough to finish the biography, given his deteriorating health, Menger made provisions, including a small fund ([Menger-Hammond, 1985](#)), for the completion of the project. The task was assigned to Zlabinger, under the supervision of Hayek and Haberler, but was never completed.

Karl Menger's papers, together with his father's remaining materials, were eventually donated to Duke University by his daughter Eva Menger. It was here that we rediscovered the existing drafts of the younger Menger's unfinished biography of his father. The material from this unfinished biography allows us to close a few gaps in the story of Carl Menger's life.⁴ However, many parts of Carl Menger's story remain to be told, if only because his son did not live long enough to tell them.

THE SCOPE AND RELEVANCE OF THE UNFINISHED BIOGRAPHY

The biography, such as it is in its unfinished state, comprises drafts of an introduction and 13 chapters of varying degrees of completion. There are multiple drafts of every chapter but one. The latest versions of each chapter, which we have been able to identify, add up to nearly 200 pages of material, and cover Carl Menger's family history and life through January 1889.⁵ We reproduce a full accounting of the extant chapters and subchapters in the Appendix. The unfinished biography ends with a chapter on Carl's relationship with Crown Prince Rudolf, who died in January 1889. There are two draft tables of contents for the full biography, apparently, as Karl intended it. He planned to include further chapters on the advent of the Austrian School of Economics, his father's methodology and the *Methodenstreit*, Austrian domestic policies in the 1880s, the state of the University of Vienna, the *valuta* regulations (Austria's currency reform in the 1890s and its adoption of the gold standard), Carl's work in the 1890s on money, and the dispute over the University of Salzburg.⁶ We do not discuss these latter topics, which are not addressed in the existing draft chapters.

The unfinished biography is written in German. Many chapters are themselves incomplete or in draft form. The goal of this chapter is to provide an overview of the content of the biography and to make the information accessible to English-speaking scholars. Karl's biography, though unfinished, provides many new insights into his father's life. If no other reference information is given in the text below, the source material is Karl Menger's unfinished biography. Unless noted, all English quotations are our own translations. When appropriate, we refer to the

existing secondary literature, relevant correspondence, and contemporary newspaper articles to confirm, falsify, or qualify parts of the biography, and to add details and context.

Karl relied on three major sources in composing the biography. First, he relied on his own memory. Carl often talked about his personal history with his son. They had a close relationship (Scheall & Schumacher, 2018). But, Karl was only 19 years old when his father died and 60 years passed before he began writing the biography, so Menger relied on his own memory only to a small degree and mainly to recount family anecdotes. Second, Karl relied on what remained of his father's papers. These papers, including a diary, some correspondence that had been spared from the flames, and several notebooks, were his most important sources.⁷ Some of the source material that Menger cites is not part of the *Carl Menger Papers*. It may either be in the possession of his descendants or have gone missing, which makes the unfinished biography even more valuable. Third, Menger did some supplementary research into his father's life. We know from Karl's correspondence that he approached the *Wiener Zeitung* in 1979 to ask if their archives encompassed the time when his father worked for the newspaper (Stiegler, 1979) and, as mentioned above, we know that he consulted the municipal archivist of Eger. Unfortunately, however, he did not provide many references to his sources, so we are not able to determine what other material he might have consulted.

Most sons in Menger's position would be worried about how their father was seen and judged by posterity, and Karl was no exception. Thus, in the first instance, this chapter tells the story that Karl Menger wanted to tell about his father's life. We try to point out below where Karl might have, intentionally or not, glossed the story a bit in ways not supported by the evidence. We verified his claims as far as possible and comment below on their veracity, as appropriate.

Despite its unfinished condition, the biography is a valuable resource. It provides new information on the relevant periods of Carl Menger's life and includes transcriptions of sources not included in the *Carl Menger Papers*. In his introduction, Karl notes that the biography should be of value not only to those

interested in economics, methodology and philosophy or dealing with the development of theoretical economic ideas, but also to historians with a broad spectrum of interests, that is, to a broad and varied readership.

The unfinished biography is also a fascinating artifact of the Mengers' place in the history of economic thought. It is rather unusual that a son, himself a successful and influential scholar, should attempt a biography of a father considered a revolutionary figure in the field. Karl Menger seemed alive to the uniqueness of his biographical endeavor. In the introduction to the biography, Menger reflects on his relationship with his famous father, who was already 61 years old when he was born.⁸ He writes that their relationship became especially close during his school years.⁹ Carl would regale the boy with vivid stories about his own childhood and student years, his relationship with Crown Prince Rudolf, his large library, and his academic career. Karl claims to have possessed a detailed understanding of his father's life when the senior Menger died in 1921 and to have retained this knowledge throughout his own life.

Karl uses the introduction to the biography to counter some misimpressions, for which he partially blames his father. According to his son, it was one of Carl Menger's idiosyncrasies that he would not allow his main works to be reprinted or, in the case of the *Grundsätze*, even translated. Only two translations of the *Grundsätze* appeared during his lifetime: one in Russian that he could not prevent and an Italian translation that he agreed to only after much cajoling. The reason for this hesitancy was Carl's repeatedly postponed and never completed plan to revise his works. The fact that his father's main writings were long unavailable, Karl argues, led to some misrepresentations of his views, since these became widely known primarily through the intermediation of his two most famous acolytes, Eugen von Böhm-Bawerk and Friedrich von Wieser. Karl does not explicitly mention it, but his father's obituary of Böhm-Bawerk (C. Menger, 1915) shows that there were significant disagreements concerning matters of theory among Carl Menger and his immediate followers.

According to Karl, his father's socio-political views were misinterpreted even during the elder Menger's own lifetime. Archduke Albrecht, a military advisor to Emperor Franz Josef, called Carl a socialist. He was occasionally described as a *Kathedersozialist* (a "socialist of the chair"), a pejorative term for members of the German historical school who favored national social policies. Some of the *Kathedersozialisten*, in contrast, disparagingly described him as a Manchester liberal, while some social democrats considered him a dogmatic liberal and a toady for the interests of the capitalist class, who lacked all compassion for the disadvantaged. According to his son, however, all of these labels and accusations were unfair. Carl Menger always championed the poor, especially in his journalistic writings. Karl describes his father's main scholarly ambition as the realization of a value-free economic science, "long before others, especially Max Weber, declared this attitude a scholarly duty."

Menger also uses the biography's introduction to counter a more recent interpretation of his father as an Aristotelian. Karl argues that his father quoted Aristotle in the *Grundsätze* only to disagree with him. There is no evidence, Karl adds, that indicates a very profound Aristotelian influence on his father and much that argues against it. Karl does not name the target of this criticism, but it was probably aimed at either Emil Kauder (1957, 1959, 1961, 1962, 1965) or Murray Rothbard (1976), both of whom had offered Aristotelian interpretations of Menger in the years just before the biography was written. Incidentally, Hayek concurred with Karl's assessment of this issue in a letter to the younger Menger, calling Menger *père* "as anti-Aristotelian as is possible," explicitly criticizing Kauder (Hayek, n.d., our translation).¹⁰

CARL MENGER'S PARENTS

The biography begins with Karl's story of his paternal grandparents.¹¹ Anton Menger, Carl Menger's father, was born in 1795 in Lviv (*Lemberg*), where his own father, also named Anton, moved from Cheb (*Eger*) in the wake of Austrian efforts to Germanize the newly acquired lands following the first partition of

Poland.¹² The Menger family qualified as untitled nobility and was allowed a coat of arms (*Burgher arms*). It is unclear when, or for what reason, the family was granted the title “von Wolfensgrün.”

The first Anton Menger died young and his Hungarian wife Anna (née Müller) was left destitute. So it was that Carl's father, the second Anton Menger, his brother and two sisters, spent most of their childhoods with relatives in Cheb. Anton joined Napoleon's army, but after Waterloo, he pursued legal studies and became a judicial clerk in Bohemia for a short time, before moving back to Galicia. There he became a civil servant. Later, in Krynica, Anton became a legal advisor and, eventually, mayor of Stary Sącz (*Alt-Sandez*).

Carl's mother, Eva Caroline Gerżabek, was born in the Bohemian town of Vysoké Mýto (*Hohenmaut*) on Christmas Eve 1814 to Josef and Therese (née Kalaus) Gerżabek. Josef Gerżabek owned a general store and a farm. He had made a fortune speculating on colonial goods when Great Britain introduced the Colonial Blockade in 1806. Caroline, Carl's mother, had a difficult childhood, which she nearly did not survive, thrice being covered in a shroud, as was common for a person believed to be near death. She later spent a year as an exchange student with a German family in Moravia and attended a school in Prague. By that time, her father's wealth had grown so large that he could retire as a country squire. He purchased a crown estate in Western Galicia, consisting of five villages and a manor house in Maniowy. Caroline moved there with two younger siblings in early 1830.¹³ Though the estate was initially in something of a rundown condition, the Gerżabeks successfully turned it around.

It was at this manor house that Carl's parents met for the first time. In early 1833, Anton Menger made a trip to the Pieniny with friends. On their way home, they were overtaken by darkness and looked for shelter in the village of Maniowy, where they were taken in by Josef Gerżabek. Anton was charmed by Caroline and visited Maniowy regularly from then on. However, Anton had a rival for Caroline and, on one of these trips, was stabbed with a hunting dagger and left for dead. He survived and was brought to the manor house, where he convalesced over the course of six weeks. After his recovery, he asked for Caroline's hand. They married in spring 1833. They soon moved to Nowy Sącz (*Neu-Sandez*) in the Austrian Crown land of Galicia and Lodomeria, in today's Southern Poland, where Anton began working as an advocate. Anton and Caroline had 10 children, four of whom died in childhood and six of whom survived to maturity: three sons, Maximilian (Max), Carl, and Anton, and three daughters, Bertha, Marie, and Caroline.

Carl Menger was born around noon on February 23, 1840, in Nowy Sącz. He was named after his father's cousin, Major Carl Menger, who was close to Anton during the latter's youth in Cheb. Major Carl Menger had served in the Viennese Voluntary Battalion during the Napoleonic Wars and fought at the Battles of Aspern-Essling and Wagram in 1809. Since Major Carl Menger was not able to attend the baptism, Carl's godparents were Josef Gerżabek, his maternal grandfather, and Therese Gerżabek, Caroline's youngest sister and Carl's aunt.

Shortly after Carl's birth, his father moved to the Silesian city of Biała, while his wife and children moved to Maniowy for some time, where Carl's brother

Anton was born in 1842. The family soon joined father Anton in Biała, but their time there was ill-fated. Shortly after arriving, Josef, the oldest Menger son, died from diphtheria at age eight. As a pious Catholic in predominantly Protestant Silesia, the family patriarch struggled to find clients (see also Grünberg, 1909, pp. 30–31). Three years of bad harvests led to a quadrupling of prices, which affected the family directly, but also meant lower demand for legal services. Some financial relief was brought when Anton purchased a plot of land on which the first cloth mill in the industrializing region was built.

According to his son, Carl Menger had two dominant memories of childhood in Biała. In 1846, possibly encouraged by bad harvests, the Galician peasantry revolted against their oppressive lords and against serfdom more generally. As was common in Galicia, socage prevailed on Carl's grandparents' estate in Maniowy, 120 km away from Biała. The Menger family worried about the fate of Carl's grandparents until a wayfarer traveling from Maniowy one day brought compliments and news from the Gerżabeks. There had been rioting around Maniowy, but their estate was spared. Indeed, in gratitude for their good treatment, the peasants of the estate had established a guard to protect the family against possible attacks from peasants of neighboring estates. Carl Menger remembered this joyful day throughout his life. He also kept memories of watching his father work in a smoky law office that included a library.¹⁴ Carl would often say that his father was his only intellectual influence during his childhood. Unfortunately, Anton senior fell ill with pneumonia in 1847. He had been invited to serve as a Galician representative to the Frankfurt Parliament, established in the wake of the 1848 Revolutions, but his health was too weak. He died on August 1, 1848. Caroline had to manage family affairs on her own from this time forward. Though she possessed only modest means, she did this in a way that Carl admired for the rest of his life.

Carl and his siblings often visited their maternal grandparents' estate in Maniowy. After their father's death, these trips became more frequent and lasted longer. These visits to his grandparents' estate made a lasting impression on Menger. He became familiar with agricultural management and the economic work of peasants, craftsmen, and merchants.

EARLY STUDENT YEARS

Apparently relying primarily on his father's diary, Karl retraces his school years. Between 1843 and 1851, Carl Menger attended first elementary school (two *Elementarklassen* and three *Normalklassen*) then middle school (*Realschule*) in Biała. Though a good student, he repeated the second year of *Realschule* voluntarily. Karl suspects that he was too young to be sent away to a German-language Gymnasium, such as Caroline wanted her sons to attend. In autumn 1851, Carl and his older brother Max departed for a Catholic Gymnasium in Cieszyn (*Teschen*), 30 kilometers west of Biała. Their younger brother Anton followed a year later. In Cieszyn, Carl lived with so-called "Kostfrauen," women who provided meals and lodging to pupils.

According to his son, Carl took his Gymnasium studies seriously and their influence lasted. Humanistic Gymnasiums of the era focused on ancient languages and classical literature. Carl learned Latin, Greek, French, and, rare for the time, English, though he might have learned the last outside of school. According to his son, it was during this time that Carl acquired the style that came to characterize his writings: clear and precise, but a bit cumbersome and repetitious.

Given Menger's well-known rejection of mathematical methods in economics, Karl, the mathematician son, saw fit to comment at some length on his father's mathematical education. Karl himself wrote two articles about the relationship between Austrian marginalism and mathematical economics, adopting the position – unsurprising for one of the fathers of methodological tolerance (Carnap, 2002 [1934], p. 52) – that mathematical methods and Austrian economists' rejection of them are each appropriate, in different scientific contexts, for the analysis of unique economic problems (K. Menger, 1972, 1973). According to Karl's account, his father was a good mathematics student and studied the subject with interest.¹⁵ He tutored at least one other pupil, the son of one of his hosts. Yet, the mathematical curriculum at Carl's school addressed nothing that was not known already in the sixteenth century. Young Carl learned simple geometry, read Euclid's "Elements," was taught the basic elements of trigonometry, common but not natural logarithms, and basic algebra. He was taught neither analytical geometry nor calculus. This was a typical mathematical education in Austria (and, thus, for potential Austrian economists) at the time.

According to Karl, all three brothers felt constrained by the strict Catholic Gymnasium in Cieszyn. Despite their family's piety, they were dubious of religion from early youth and devoured freethinking literature. The brothers all left school without religious beliefs.

After six years in Cieszyn, Carl transferred to Opava (*Troppau*), capital of the Austrian Crown land of Silesia. His brother Anton had moved there a year earlier. Karl reports that, in Opava, Carl and Anton spent much time in the public library, reading Enlightenment-era philosophy. A pamphlet paper that Carl wrote at the time against a logic teacher named Jahn – which, unfortunately, does not survive – shows that his predilection for authority-challenging polemics was acquired early. Carl left Opava after only a year, at the same time that Anton returned to Cieszyn.¹⁶

Carl went to Krakow, the cultural center of Poland, for his last year of school. According to Karl, his father took a keen interest in the Polish national hero Tadeusz Kościuszko, who had fought against the partition of Poland and later with George Washington's army in the American Revolutionary War. Carl wrote a poem lionizing him.

In spring 1859, Carl finished his Gymnasium education, graduating *cum laude*.

CARL MENDER AS A UNIVERSITY STUDENT

After graduation, Carl followed his brother Max to Vienna to study law, but Carl left the city after just one academic year. Karl states that the reasons for his father's quick departure are unclear. However, Yukihiro Ikeda (1997, pp. 25, 29–30)

suggests that it was a common practice in Austria at the time to change university after the first year. In 1860, Menger moved to Prague to continue his studies at the *Carolinum* (Charles University). According to Karl, the lectures of Alois von Brinz on Roman law made an impression on Menger and he took his first state exam (*erste Staatsprüfung*) in the subject, achieving *cum laude*. A discussion of the classes Menger attended both at Vienna and Prague can be found in Ikeda (1997, pp. 26–40). In Prague, Carl attended economics classes, including three courses taught by German economist Peter Mischler.¹⁷

While in Prague, according to his son, Carl Menger joined a *Studentenverbindung* (fraternity),¹⁸ drank beer, learned to fence, and participated in *Mensuren* (fencing events held by fraternities). Menger was a good fencer with a competitive streak, who won most of his matches. He was once lightly struck on the face with a foil, which left him with a scar barely visible on his left nasal wing. Although Karl does not note this, students were often keen on getting such dueling scars, called *Schmiss*, which were considered a badge of honor. Karl also reports that his father participated in *Kommerse* (feasts organized by fraternities). At one such feast in 1862, held in honor of the deceased Ernst Moritz Arndt, a German-nationalist writer who fought against Napoleon's occupation of Germany, Menger gave a short memorial address, in which he described Germany as "our beloved fatherland." Soon after arriving in Prague, according to his son, Carl became involved with German nationalism for a time. He drafted an essay, which his son possessed, praising German students and depicting Czech students pejoratively. Carl's flirtation with German nationalism, however, lasted only as long as his stay in Prague, according to his son.

He also belonged to the *Lese- und Redehalle*, the "Reading and Debating Society" of German students in Prague.¹⁹ It was a German-nationalist but also a liberal organization. Menger actively participated, giving at least one speech during an assembly of the *Lesehalle*. He also drafted a statute for the *Redehalle*, which at the time had been closed down by the authorities (Čermák, 2006, pp. 36–37).²⁰ The statute apparently never came into force.

According to Karl, his father kept a notebook at this time in which he jotted various musings. As a 22-year old student in May 1862, he wrote down what his son would later call his first scientific notes. Karl discusses these notes in some detail in the biography. They mainly concerned philosophical topics like perception (*Wahrnehmung*), language, and philosophical method. Carl had studied Kant's *Critique of Pure Reason* in Opava, according to his son. In his notebook, Carl wrote about wanting to develop his "system" and distinguishing it from those of other philosophers of the era, especially the post-Kantian German philosophers Johann Gottlieb Fichte, Johann Friedrich Herbart, and Georg Wilhelm Friedrich Hegel. For our present purposes, given Karl's own philosophical views and his association with the Vienna Circle of Logical Positivism, it is interesting to note his conclusions regarding his father's philosophical ideas, which

contain clear anticipations of later [Austrian] philosophy: the epistemological, anti-metaphysical character of his sketch, his treatment of the problem of other minds (*Fremdpsychisches*) and of [the logic of] negation, the reference to language, criticism of language and natural sciences, and the rejection of systems other than a system that rejects systems.

Following these philosophical reflections are three notes concerning economics and sociology, also written in spring 1862. Karl reproduces them in full. These notes discuss *free trade*, *communism*, and *money*. Carl argues that free trade is beneficial to both buyers and sellers, but not necessarily to the state or society – whole groups of workers might be harmed as a result of free trade. He concludes that a state should consider whether free trade will be beneficial before making a policy of it.²¹ The second note rejects the possibility of communism, defined as the equal distribution of the results of production, because of its consequences, including the birth of too many children, inadequate incentives to work, and the impossibility of a socialist state existing among non-socialist states. The third note refutes the idea that money might be worth less in one country than in another.

Karl assesses these notes as hastily composed and immature, but that they show his father was thinking about economic matters early on. Regarding these notes, Haberler, in response to Karl's request for comments, wrote that

[i]t is not so much the concrete content, but the general approach to the problems that is remarkable. The notes show that Carl Menger at an early age was aware of all the complexities of the problems and shunned facile simplifications, [an attitude] characteristic of his later works. Also, the individualism, so typical of the Austrian school, is already in evidence. (Haberler, 1981)

According to his son, Menger apparently made no further scientific notes for the next five years.

Meanwhile, his studies at Charles University drew to a close. However, in his last year, 1862/1863, he became embroiled in a dispute with the dean of the faculty of law and professor for Austrian law, František Xaver Schneider. In the unfinished biography, Karl reproduces a polemic that his father wrote against Schneider. The dispute, which turned on the proper interpretation of Austrian study regulation – Menger criticized Schneider for a pedantic interpretation – was vicious and drew in other professors; however, the outcome of the dispute is unknown.

By July 1863, his son reports, Carl had attended all lectures required for a doctorate of law, but did not sit for the required oral exams (*Rigorosen*). Karl assumes that the dispute with Schneider was the reason for this.

JOURNALISTIC CAREER

Apparently based primarily on Carl Menger's diary, the next chapter of the unfinished biography deals with his move into journalism.²² A new press law that abolished strict censorship came into effect around the time that his father finished his studies, Karl notes, which led to the founding of dozens of newspapers.²³ Menger first worked at a newspaper, the *Tagesbote aus Böhmen*, a pro-German paper, while still a student in Prague in the spring of 1862.

Carl moved to Lviv (*Lemberg*) in August 1863 to become a junior editor of the official *Lemberger Zeitung*. The newspaper went bankrupt in October 1864. According to his son, during these months in Lviv, Menger corresponded with other German and Austrian newspapers, and was eventually offered a job at

Vienna's *Botschafter*. The *Botschafter* was a semi-official paper, founded by the liberal government of Anton von Schmerling to support its centralistic position (Paupié, 1960, p. 129).²⁴ However, Menger's time at the *Botschafter* was again of short duration. In late July 1865, Schmerling's government was forced to resign and five years of liberal rule came to an end. As Karl notes, "liberal-minded Austrians would later wistfully look back at this time," idealizing it as the liberal golden age. A conservative government lead by Richard Belcredi came to power and the *Botschafter* closed. Carl then transferred to the right-liberal Vienna newspaper *Die Presse*, which also supported a centralistic policy (Paupié, 1960, pp. 134–138).

Around this time, Karl reports, his father and uncles agreed to renounce their hereditary untitled nobility and drop the suffix *von Wolfensgrün* from the family name. Their political views made them uncomfortable with this title. All three were convinced democrats. Carl and Max were liberals and Anton a non-Marxian socialist.²⁵ Karl argues that this decision might have been prompted by questions about the legitimacy of the title, the origin of which was unknown. According to his son, Carl was embarrassed whenever his nobility was mentioned.

Menger quit *Die Presse* after a short period to found his own newspaper, "a truly democratic paper for the masses," according to his son. In November 1865, Menger applied to the police authority for a permit to open a newspaper, submitted a program, and paid the required deposit. As Menger noted in his diary, he also had a long discussion with Minister-President Belcredi, whom he promised to support, at least until the constitution was restored.²⁶ On November 11, Menger received a permit to begin publishing the *Wiener Tagblatt*. The first issue appeared on November 26, 1865, with Menger's name on the masthead as editor-in-chief (*Herausgeber*) and that of his former *Die Presse* colleague, Ignaz von Lackenbacher as managing editor (*Für die Redaktion verantwortlich*).²⁷

According to Karl, the *Wiener Tagblatt* was a huge success. Its circulation grew rapidly, progressively increasing to 35,000 in February 1866. Karl suggests that this success was mostly due to its low price and its appeal to a broad audience. The price of the *Tagblatt* was 1 Neukreuzer, which matched the state levy on privately published newspapers. Papers that paid the levy were marked with a newspaper stamp. The *Tagblatt's* price meant that advertising was the paper's sole source of revenue. The editors' goals for the paper were described in a letter to readers published in the first issue. The *Tagblatt* was meant to serve the public's need for an inexpensive, yet intelligible, newspaper – like similar papers published at the time in Munich, London, and Paris – and the paper's low price was meant to appeal to, and so to help educate, the masses. According to Karl, the *Tagblatt* frequently discussed social problems from the perspective of the disadvantaged and regularly championed their interests. Karl gives some examples of this. The *Tagblatt* suggested a market hall for the poor where food could be purchased at discounted prices and advocated for the establishment of public libraries. The paper lamented that the unemployed were without a political lobby, argued for prison reform, and criticized the requirement that a senior lawyer appear on a defendant's behalf in court, a rule that often made it hard for poor people to win their cases. The *Wiener Tagblatt* criticized rival Viennese newspapers for their

apparent lack of interest in the problems of the working class. Karl indicates that his father endorsed these positions. It is unclear which articles Menger might have penned himself. As was common at this time, the authors of an article are not identified in the paper. As editor-in-chief, however, it is reasonable to assume that he contributed frequently and agreed in the main with the positions defended in the paper.

Karl reports that, despite its growing readership, by early 1866, the *Wiener Tagblatt* was in dire financial straits. His father resisted calls to increase the paper's price. However, with its rather supportive view of the government and its high circulation, the *Tagblatt* was valuable to the government itself.²⁸ This led to the government's decision to acquire the newspaper and finance its operations.²⁹

Citing an official letter, Karl shows that the government was aware of his father's journalistic talent and hoped to both retain Menger as editor of the *Tagblatt* and bring him over to its official organ, the *Wiener Zeitung*. Carl accepted both positions, taking over the economics section of the *Zeitung*.

Karl describes how his father frequently claimed later in life that he had gained his major economic insights, especially regarding price theory, which led him to the *Grundsätze*, by studying market reports and stock lists while writing for the *Wiener Zeitung*. This claim was repeated by Wieser (1929 [1923], p. 117). However, more recent research indicates that this story is an exaggeration, if not a fiction. Already in his comparatively early biographical reflection, Hayek (1934, p. 398) raised doubts about the specifics of the tale. In tracing the genesis of Menger's *Grundsätze*, Ikeda (1997, p. 59) showed that his ideas developed later, calling the stock market report and inventory list story a "myth."

Tired and ill, Carl Menger left both newspapers around September 1866 to take a vacation. Looking back at this episode in old age, he told his son with a smile and no apparent regret that he could easily have become a millionaire had he continued his journalistic career.

EARLY SCIENTIFIC WORK

His vacation was cut short because of a cholera outbreak that prevented travel to Italy. Returning to Vienna, Carl rented a flat with Anton. The brothers would live together for the next four years. Carl also decided to take the examinations required to receive his doctorate, albeit not at the Charles University in Prague, but at the University of Cracow, where Anton had matriculated.³⁰ On March 19, 1867, Carl Menger became a Doctor of Law (Dr Jur.).

According to his son, after returning from his shortened vacation, Menger joined the law office of a former colleague from the *Botschafter*, Georg Granitsch, where Anton had worked since 1865.³¹ He also started writing scientific ideas in his notebooks again.³²

From late 1866 until mid-1867, Carl's notes, which fill one whole notebook, addressed only literary matters, including books read and theatrical performances attended.³³ Another notebook, titled *Geflügelte Worte* (dictums), was started in 1867. This notebook includes further literary notes, some notes on

foreign countries, and a few aphorisms, including one that predicts the institution of marriage would slowly corrode and that free love would be the way of the future. According to his son, this is one of very few occasions that Carl ever wrote of romantic or sexual matters.

These notes are followed by philosophical reflections, which are among the most important indications of Menger's pre-*Grundsätze* thought. In June 1867, he outlined the plan for a philosophical work titled "Critique of Metaphysics and Pure Reason from an Empirical Standpoint" (*Kritik der Metaphysik und der reinen Vernunft vom empirischen Standpunkte*). He wanted the book to be a "touchstone of intelligence," growing more complicated with each step of the argument, meaning that "the further one is able to read, the more intelligent" one is. The project seems never to have developed beyond the outline stage. However, his son considered these brief notes quite suggestive of later developments in Austrian philosophy. Carl Menger's philosophy was "for its time, remarkably un-speculative," avoiding any hint of metaphysics. He "condemned all so-called a priori cognitions, which are not actually empirical propositions or plainly false expressions, as meaningless combinations of words," which his son thought anticipated "one of the main theses of logical positivism." Karl argued that some of his father's notes "almost read as if they came from M[oritz] Schlick's book 'General Theory of Knowledge.'"³⁴ Karl further noted, however, that his father's philosophical ideas continued to evolve. He illustrated this by noting that, a few years later, Carl would write extensive marginalia strongly critical of Ernst Mach's (pre-logical) positivism in his personal copies of Mach's books.

At some point in 1867, starting with a note titled "Theory of Political Economy" (*Theorie der Nationalökonomie*), Menger turned his attention to economics. His son marks this as Menger's "breakthrough note." It is the beginning of an extensive series of notes on economic matters that occupies about 300 pages of this notebook and several other notebooks as well.

At first, prompted by his critical examination of Wilhelm Roscher's *Die Grundlagen der Nationalökonomie*, Menger's notes merely analyzed various concepts, such as *good* (*Gut*) and *economy* (*Wirtschaft*). Menger wrote of his "system" from early on, though it is not clear how to interpret this term. He first indicated that the *commercial good* (*Verkehrsgut*) would play the role of basic element in his system, but this idea was soon dropped. On a sheet of paper separate from the notebooks, dated June 9, 1867, Menger specified a plan for a systematic analysis of political economy, consisting of eight chapters: (1) nature of goods; (2) emergence of goods; (3) exchange of goods; (4) emergence of values; (5) distribution of products; (6) distribution of values; (7) consumption of goods; and (8). consumption of values (1. *Wesen der Güter*; 2. *Entstehung der Güter*; 3. *Austausch der Güter*; 4. *Entstehung von Werten*; 5. *Verteilung der Produkte*; 6. *Verteilung der Werte*; 7. *Konsumtion der Güter*; 8. *Konsumtion der Werte*).

By the summer of 1867, Carl Menger still had not decided to commit to economics full-time, according to his son, despite his notes on the topic. It was only at the end of the summer that he took this decision, as indicated by a diary entry from September 1867: "I take a dive for political economics. Study Rau etc." This, according to Karl, was the beginning of his father's *annus mirabilis*.

According to the younger Menger, at this point, his father remained, as he would throughout his life, sympathetic to the plight of the poor and even offered in his notes various practical suggestions for advancing the workers' movement. However, his methodological stance in favor of a value-free economics, another position he would maintain throughout his life, meant that his social sympathies could play no part in his theoretical analyses. The economist aims not at reform, but merely to understand economic life and its deepest causes. With respect to economic theory, at this point, Menger "already [possessed] complete insight into two fundamental points of his later theory," according to his son. First, "the productivity of exchange, trade, and commerce," and second, that "the greater a quantity of one good that an economic agent possesses, the smaller in general is the value that he attributes to a certain partial quantity (e.g., one unit) of this good."³⁵

According to his son, Menger's economic project began in earnest in the fall of 1867. It was around this time that he decided to write a book on economic theory. To that end, he started a new notebook titled *Theoretisches Repertorium*, in which he made notes for the different chapters indicated above. The book, he specified, "should mainly contain notes from Austria, be confined to the items [listed in his plan] and be not more than 450 pages long." This first plan was apparently thrown out rather quickly. The *Grundsätze* would ultimately contain very little material on Austrian circumstances, as Karl notes in the biography.

Menger also commenced a very broad and eclectic review of literature from which he hoped to gain insights into economic behavior. He read Roscher, as well as Karl Heinrich Rau's *Grundsätze der Volkswirtschaftslehre*.³⁶ He started a number of other notebooks that consist primarily of excerpts from, and comments about, these readings. "Besides economics," his son wrote, Menger's reading encompassed

philosophy and much jurisprudence, [...] travel accounts and the etymology of economic words, [...] mechanical and chemical technology, agriculture and forestry, as well as agricultural chemistry, and, initially, works in the natural sciences too.

Menger looked in many places for clues about the economy. His reading remained quite eclectic throughout his life, according to his son.

By late 1867, Menger's economic reflections filled ten 192-page notebooks. According to Karl, these

notebooks show how Menger [...] slowly [drew] nearer to his definitive ideas, especially his theory of value and price, his insight that the value of goods of higher order (the means of production) is determined by the value of goods of lower order (consumption goods) and not, as the classical economists thought, the other way around.

MINISTERIAL OCCUPATION AND LATER YEARS AS JOURNALIST

As his son reports, Menger's career in journalism did not end when he quit the *Wiener Tagblatt* and the *Wiener Zeitung*. Instead, according to his diary, Carl worked for several different newspapers over the next few years, if only for a short

time on each occasion. These included engagements with *Die Debatte*, *Tagespresse*, and, from autumn 1868 until February 1869, *Allgemeine Volkszeitung*.³⁷ Menger acted as the latter paper's managing director for the last six weeks of 1868.

But Menger seems to have spent most of his time and energy on scientific work and the preparation of his *Grundsätze*. According to his son, after the book was published in July 1871, Menger returned to the *Wiener Zeitung*. This new engagement with the *Zeitung* was tarnished by political events. Relations among the various peoples in the multiethnic empire had become more contentious. After Belcredi's federalist constitution failed and he was dismissed in February 1867, the Austro-Hungarian Empire was established in an effort to compensate Hungarian demands for greater autonomy. However, this encouraged similar appeals from members of other nationalities, Czechs most prominently. In October 1871, the Austrian government adopted a declaration of the Bohemian parliament that demanded a Bohemian kingdom and the subordination of the German minority in Bohemian lands to the Czech majority.

Menger, who was part of the German minority in Galicia and had lived in Bohemian territory, opposed this *Fundamentalartikel* and he resigned from the *Wiener Zeitung*, an official organ of the Austrian government, in protest. In a memorandum requested by the foreign ministry, which his son partially reproduces in the biography, Menger explained his views. He saw the *Fundamentalartikel* not as a compromise, but as a victory for Czechs and an injustice to the German minority. The result would not be reconciliation but oppression of the German minority. Menger instead proposed that Bohemia be partitioned into German and Czech territories, and organized as a federation that would allow both territories to decide their own policies.

After the Emperor's veto of the *Fundamentalartikel*, the Austrian government fell. Karl reports that the new government, led by Adolf von Auersperg, who personally raised Menger's salary, convinced him to return to the *Wiener Zeitung*. However, Menger soon came down with a case of spondylitis and was hospitalized for two weeks. This episode left his spine noticeably bent for the rest of his life. In late March 1872 he was granted a five-week holiday, which he spent in Italy.

Upon his return, according to Karl, Auersperg convinced Menger to work in his ministry. In August 1872, the Emperor appointed him *Minsterialsekretär* and he joined the office of the Minister-President, while he also continued to work at the *Wiener Zeitung*. But, this arrangement was short-lived. According to his son, during the summer of 1873, Carl decided to dedicate himself entirely to academia, a move which surprised Auersperg, who thought Menger destined for a successful civil service career.³⁸

EARLY ACADEMIC CAREER

In February 1871, according to his son, after finishing the manuscript of the *Grundsätze*, but before submitting it for publication, Menger applied for habilitation from the law faculty of the University of Vienna. Habilitation would allow him to teach at a university. His proposed habilitation dissertation was an essay on

money, essentially, the last chapter of the *Grundsätze*. In his habilitation request, which Karl cites, Menger declared his intention to lecture on economics, based on his own work, starting from the next semester.

Relying on diary material, Karl discusses the struggles that his father encountered in having his request approved. Lorenz von Stein, a key figure in the Vienna law faculty, rejected Menger's initial approach in June 1871.³⁹ Menger later visited Stein and the two became embroiled in a dispute. Stein eventually relented and, in July, Menger received approval to give a colloquium and a trial lecture, which were requirements of the habilitation process. However, for reasons unknown, his trial lecture was rejected.

In the meantime, the *Grundsätze* was published and favorably reviewed in several outlets. Karl explicitly mentions two reviews, one written by the German economist [Arwed Emminghaus \(1872\)](#) and another written by someone named Hack. Karl mentions Hack's assessment of his father's book as among "the best works on economics to be published lately" ([Hack, 1872](#), p. 183, our translation).⁴⁰

Menger emphasized these positive reviews in his next application for habilitation and argued that he met all of the requirements and was rejected only because of a "rash trial lecture." A second trial lecture, this time successful, took place in May 1872. The next month, Carl received a letter from the dean containing his permission to read (*Venia Legendi*).⁴¹

According to his son, it was in the midst of these habilitation troubles that Carl's revered mother passed away. Due to his schedule, he was neither able to visit her one last time nor attend her funeral in Biala. Menger described these times in his diary as "months of great depression of the mind." His favorite sister, Marie, four years his junior, died shortly thereafter upon returning from the 1873 Vienna World's Fair, having contracted typhus on her journey home.

As his son describes, despite these early missteps, Menger's academic career soon blossomed. In 1872, he had already received an offer to become professor at the Theresian Military Academy in Wiener Neustadt, a city about 50 km south of Vienna, an offer he declined because the salary was too low. Instead, he started teaching a weekly course on credit and banking in the winter semester of 1872/1873 at the University of Vienna. The three-hour class attracted about 40 students, a "surprisingly large number," according to his son. Menger soon received an offer to succeed Emminghaus as professor of economics at the *Polytechnikum* in Karlsruhe, Germany, but he again rejected the offer for reasons related to salary. Instead, he offered a weekly five-hour lecture on political economy in the summer of 1873 at the University of Vienna. Among the 14 students who regularly attended the lecture was Alexius Meinong, the future philosopher. Another job offer arrived in September 1873, this time to succeed Friedrich Julius Neumann as professor of economics at the University of Basel. However, Menger declined this offer and instead was appointed extraordinary professor (*außerordentlicher Professor*) at the University of Vienna in late September. Karl reports that his father's salary as a professor (2,300 fl.) was lower than his salary at the ministry (3,000 fl.), but staying in Vienna meant that he could also stay at the *Wiener Zeitung*, from whence he earned additional income (1,500 fl.). Karl does not explicate this, but it seems reasonable to assume that his father was happy

to stay in Vienna, the cultural and political center of Austria, where both of his brothers lived.

According to the unfinished biography, Menger repeated the course on credit and banking in the winter semester, but with a decreased enrollment of only 28 students. Karl claims that the course may have been less popular as a result of the stock market crash in Austria in May 1873. Menger also introduced a two-hour weekly seminar titled *Tutorial in political economy and finance* (*Übungen in Nationalökonomie und Finanzwissenschaft*), in which he encouraged students to think independently. Menger offered this course many times over the remainder of his career. The tutorial started with four students, but enrollment numbers increased over time. In 1877, 16 students were accepted. However, his son reports that, according to Menger's diary, the format of the tutorial created turmoil within the faculty. Stein, for one, opposed the format of the seminar, though others, especially Adolf Exner, professor of Roman law, and Josef Zhishman, professor for canon law, supported Menger's approach. According to Menger's diary, this controversy led to a showdown at the election of the dean of the law faculty in 1876. Menger and Exner planned to overthrow the faculty's "inept oligarchs." In the end, Zhishman prevailed over Stein by one vote. Relations within the faculty seem to have improved afterwards.⁴²

In the coming years, Menger's classes drew an increasing number of students, according to his son.⁴³ In March 1875, Menger rejected an offer from the *Polytechnikum* in Zurich. At the same time, his salary at the University of Vienna was increased to 2,700 fl. by Emperor Franz Joseph after the minister of education, Karl Stremeyer, wrote a letter commending Menger, which Karl quotes. Karl also reports that his father left the *Wiener Zeitung* in early 1875, though he remained an external employee responsible for banking. This meant a significant reduction of his salary, a sacrifice he made in order to dedicate more time to scientific work.

Karl reports that his father planned to compose a bibliography of political economy, but soon abandoned the project.⁴⁴ Instead, he decided to write a book on methodology, a topic in which he had long been interested, according to his son, pointing for support to the notebooks. In a diary entry dating from early 1875, Carl briefly noted "I draw up [a] plan for methodology." According to his son, his methodological work started in earnest in late 1874. In the spring of 1875, according to his diary, he interrupted this work to write a lecture book for his finance course. It would take nearly a decade to finish the methodology project.

As his son reports, relying on diary entries, Carl Menger was unimpressed with the way economics was taught in Austrian universities. Students had to study law and could focus on economics only in their last semesters. He argued that the state needed civil servants with a deeper understanding of economics and, in 1876, unsuccessfully championed reforms that would have established political science (*Staatswissenschaften*) as an independent faculty.⁴⁵

In 1872, according to his son, Menger was approached by two students previously unfamiliar to him. Eugen von Böhm-Bawerk and Friedrich von Wieser were dissatisfied with the economics they had been taught and were intrigued

by Menger's theory (see also [Wieser, 1929](#) [1923]). Menger encouraged them to study economics on their own and to think independently. In the academic year 1875/1876, Menger was able to obtain four scholarships from the ministry of education for doctoral graduates enthusiastic about political economy to continue their studies abroad. Böhm-Bawerk and Wieser went to Heidelberg to study with Karl Knies. Wilhelm Lesigang was sent to Jena to work with Bruno Hildebrand (but, for some reason, went to Leipzig instead), and a student named R. Proksch (we could not determine Proksch's first name) went to Paris for the winter term. In 1876/1877, Böhm-Bawerk's and Wieser's grants were renewed, and they travelled together first to Wilhelm Roscher for a semester in Leipzig and then to Bruno Hildebrand for another semester in Jena. Lesigang went for an additional semester to the Collège de France in Paris. Menger corresponded with these students, following their travels and inquiring about their well-being.

CARL AND CROWN PRINCE RUDOLF

The last three extant chapters of Karl Menger's draft biography concern his father's relationship with Crown Prince Rudolf, only son and third of four children born (August 21, 1858) to Emperor Franz Joseph and Empress Elisabeth ("Sisi").⁴⁶ After finishing *Gymnasium*, Rudolf was educated in law. Menger's like-minded colleagues, Exner and Zhishman were among his teachers. Menger's reputation was established by this time and his profile – liberal, politically abstinent, loyal to the Habsburg Empire – made him an ideal teacher ([Hamann, 2017](#) [2005], p. 34).

Karl reports that in late September 1875, Rudolf's mentor, Josef Latour, invited Menger to become Rudolf's teacher in statistics and political economy. Menger had to submit a detailed memorandum concerning the subjects he planned to teach, from which his son quotes. The subjects that Menger planned to cover with Rudolf included theoretical economics, economic policy, finance, and statistics. He proposed to strengthen the pupil's capacity for independent judgment by a pedagogical approach that relied on both traditional lectures and more active teaching methods.

He also described the Mengerian perspective on political economy such as it was in 1875. He described the field as broadly divided into two camps. The first camp consisted of economists who argued that the unfettered pursuit of each individual's economic self-interest leads to the best results and accords with the general public interest. The second camp consisted of economists who argued that the free pursuit of self-interest can, in some cases, manifest consequences contrary to the general public interest. Menger claimed that the terms "free-traders" and "protectionists" were incomplete and incorrect. More appropriate epithets for each group, Menger argued, would be "individualists" and "ethicists." Individualists thought one economic program, which grants the state the role of mere spectator, valid for all times and places. Ethicists based their economic advice on the unique conditions of each country and granted the state an active role in determining economic policy. Menger described himself as a "moderate ethicist." According to Karl, Franz Joseph agreed to Menger's appointment as his son's teacher in October 1875.

Menger's first lesson with Rudolf took place on January 3, 1876, according to Karl. Menger was free to plan his courses without interference from Imperial authorities, but his duties were time-consuming. Classes lasted for two hours in the morning, five days a week, and another hour in the afternoon, twice a week. During teaching sessions, Menger was alone with Rudolf, while a squire waited in an adjoining room. The first half of every morning session was dedicated to Menger's lecture and the second half to Rudolf's recitation of, and commentary upon, said lecture.⁴⁷ The first course finished in May 1876, followed by a month of review. The exam was held on June 26, 1876, in the presence of the Emperor, and was very successful, as Menger noted in his diary.

As a student, Menger described Rudolf, who was apparently quite interested in political economy, as a quick learner, talented, innovative, diligent, and in possession of a good memory, but also as restless and diffuse. As a person, he described Rudolf as mature and kind-hearted, though he disapproved of Rudolf's belief in egoism, according to which self-interest is the sole driving force of human behavior – commenting, however, that this attitude would be helpful in understanding economics. He also noted Rudolf's liberal political views.⁴⁸ From early in his tenure, Menger was regularly invited to dine with the Crown Prince.

As Karl reports, Menger spent part of the summer of 1876 with Rudolf in the Upper Austrian spa town of Bad Ischl, before taking a month-long holiday. He later joined Rudolf in Gödöllő, at the Imperial palace near Budapest, to continue classes. In his diary, Menger described the stay in Gödöllő as pleasant. He enjoyed the country life, was able to rest somewhat, and his health improved. According to his son, Menger took a leave of absence from the University of Vienna at this time.⁴⁹

Together with the Crown Prince's other tutors, Carl was invited to meet the Imperial couple. The Emperor was satisfied with Menger's work and awarded him an Order of the Iron Crown, Third Class. Menger was not pleased, commenting in his diary: "I bore it with a smile, since no one who has seen what sort of people wear first-class honors could feel honored by a third class order." He made no use of the knighthood to which he was entitled by this award. Throughout his life, according to his son, Menger was averse to decorations and titles, and argued that it was inappropriate to grant such honors to scholars.⁵⁰ Menger loathed most of the Imperial Court, according to his son, Latour and Rudolf being notable exceptions.

While still on leave from the university, Carl decided to spend some time in Paris, where he arrived in January 1877. He did research in the *Bibliothèque Nationale* and purchased several antiquated books on economics and socialism, including some works of Henri Saint-Simon. His health improved in Paris. He would later talk of France and its people with affection, according to his son. Menger returned to Vienna in March and made some progress on his methodological work, which was still far from fruition.

The same month, according to Karl, Menger was invited to dinner with the Crown Prince, who mentioned his intention to continue his studies of political economy. On Rudolf's invitation, Menger joined him in the fall for a trip to the Dolomites, Innsbruck, the major cities in the French and German parts of Switzerland, and,

on their way home, to Habsburg Castle, the ancestral home of the Imperial family. Menger described the journey as rather pleasant in his diary, a feeling apparently shared by Rudolf, who invited him for further joint travels. In October, they spent three days together in Cieszyn, where Menger had spent his Gymnasium years, touring the domain of Rudolf's relative, Archduke Albrecht. The Crown Prince convinced Menger to stay two additional days in Gödöllő, according to Karl, where Carl again met the Imperial couple. It was at this time that Menger and Rudolf produced their first collaborative work, an anonymously published newspaper article on life in Albrecht's domain that appeared in the *Wiener Zeitung* (C. Menger & Rudolf, 1877). The article addressed the humanitarian administration of the domain and the kind way that workers were treated there. Albrecht, a staunch conservative, complained about the article in a letter to Rudolf, which Karl quotes, on the grounds that "such praise in an *official* newspaper is easily suspected to be socialism."⁵¹

Rudolf and Menger would soon begin a more ambitious collaboration. According to Karl, it was Rudolf who approached his father about this project, likely in the knowledge that the professor shared his views. The Crown Prince had a profound aversion to the Austrian nobility, whom he thought indolent, religiously and culturally backward, ignorant of modern science, and utterly unworthy of their lofty place in Austrian society. According to Karl, while together in Switzerland in the fall of 1876, Rudolf had revealed his desire to make public his views on these matters, albeit not under his own byline. Menger agreed to this very sensitive collaboration, which had to be kept secret and its records destroyed. If word of the pamphlet's true authorship had leaked out, there could have been severe consequences for both authors.

According to Karl, the sharpest denunciations of the aristocracy were written by Rudolf, while Menger stressed the importance of nobility for a conservative party.⁵² Menger also discussed the Austrian educational system, praising the Gymnasium system, but criticizing the law curriculum at Austria's universities and arguing that young aristocrats should be educated for careers in public service. The first draft was written by Rudolf, but, according to Karl, the final version bears many of the hallmarks of the Mengerian compositional style. He argues that the pamphlet's final wording most likely came from his father's hand.⁵³

According to Karl, the pamphlet was written during the last three months of 1877 and completed by the end of the year. Karl draws this conclusion on the basis of a plan of the pamphlet that he had in his possession, written by Rudolf, which lists dates next to some of the chapter titles, indicating, according to Karl, when the chapters were written.⁵⁴ Menger's son claims that the co-authors made sure they were out of the country when the pamphlet was published. He reports that Carl ended his university classes early so that, soon after Christmas 1877, he and Rudolf could embark on a trip from Paris, through Calais and Dover, to London, where they went to clubs and attended balls, dined with Empress Elisabeth, also in London at the time, and met many high-profile personages. They visited the British Museum and the Bank of England, as well as the famous antiquarian bookshop of Bernard Quaritsch, both men being bibliophiles. They traveled to Scotland and Ireland in mid-January, eventually returning via the industrial cities of England's north to spend another two weeks in London.

On their way back to Austria, they stopped in Paris, where they met, among others, Isabella II, the former queen of Spain, at a dinner held by French President Patrice de MacMahon. March 1878 found the pair in Berlin, where they stayed at the Hohenzollern's Berlin City Palace and dined with Emperor Wilhelm I and Crown Prince Friedrich. Friedrich's son, Wilhelm, who would become Emperor a decade later, left an unpleasant impression on both men, according to Karl. They also met Otto von Bismarck.

Karl also mentions that his father met Hermann von Helmholtz at one dinner and talked with him about physical forces and energy. As a good proto-positivist, Menger considered *force* to be nothing but an objectified cause of change, a view that, according to his son, he maintained for the rest of his life. Postulating forces is just an anthropomorphic urge to explain natural processes in terms of causality, a tendency that Menger associated with metaphysical explanations. Helmholtz was not too keen on this pre-Machian view and responded that physicists were not in fact so philosophical.

Rudolf and Menger continued their travels to Frankfurt. But, when Rudolf's grandfather, Archduke Franz Karl, fell terminally ill, their plans to continue on to the French Riviera, Milan, Venice, and Munich were foiled, and, according to Karl, the pair abruptly returned to Vienna.

The pamphlet was prepared for publication during their travels. On January 2, 1878, a certain Friedrich Saalfelden sent a letter to Munich publisher Adolf Ackermann authorizing publication of the pamphlet in Germany. In a letter dated January 4, 1878, Ackermann answered Saalfelden, agreeing to publish the pamphlet. Six weeks later, on February 17, Ackermann – who assumed the author to be a high-ranking official in the Habsburg Imperial military – reported publication of the pamphlet, titled *Der oesterreichische Adel und sein constitutioneller Beruf: Mahnruf an die aristokratische Jugend. Von einem Oesterreicher* (“The Austrian Nobility and its Constitutional Mission: An Appeal to Aristocratic Youth. By an Austrian”) (C. Menger & Rudolf, 1878). According to Karl, who was in possession of the letters from Ackermann, Saalfelden was one of his father's pseudonyms.⁵⁵

Based on his father's diary, Karl reports that in May 1878, shortly after returning to Vienna, Rudolf offered Menger an appointment to teach daily classes. Carl declined the offer, but agreed to twice-weekly lessons. According to Karl, these lessons never took place, because Rudolf was soon ordered to Prague for military service.

However, this was not the end of their friendship. The last extant chapter of Karl's unfinished biography deals with the relationship between Menger and Rudolf from 1879 until the latter's death in 1889. Karl's main sources were his father's diary and letters from Rudolf to his father, which he quotes at length.⁵⁶ They corresponded regularly and met whenever Rudolf was in Vienna. Rudolf often requested books and news updates from Menger, and would send copies of travel accounts and various other works he authored on ornithology and hunting. They often discussed political issues and, even in written correspondence, Rudolf was frank about his opinions with Menger. According to Karl, Rudolf also provided Menger with court gossip and inside information to use in his newspaper articles, and to spread in his social circles.

Apparently, according to Karl's account, Rudolf was growing ever more impatient with the conservative politics of the time, including the Emperor's. He wished to have more influence on the course of Imperial affairs. Karl discusses how Menger occasionally felt the need to restrain the Crown Prince's risky political ambitions, which endangered his future position. He repeatedly warned Rudolf not to work without or against his father, but only in agreement with him. Rudolf's time would come, Menger promised.

Karl describes an instance in May 1881, when Rudolf announced his intention to clandestinely place on the Emperor's desk a self-written memorandum castigating the events that had led in 1879 to the self-inflicted end of a liberal government and its replacement by a more conservative one. This idea unsettled Menger and he dissuaded Rudolf from taking any covert actions, though he encouraged Rudolf to write a political memorandum. Menger, who was also troubled by the domestic situation in Austria, wrote the first, incomplete draft, addressed to the Emperor in rather groveling language.⁵⁷ Based on this draft, Rudolf wrote a longer memorandum, retaining Menger's suggested five-chapter framework, but removing the simpering tone. In early June, Rudolf read the essay to Menger, who, according to his diary, was satisfied with it. It was Josef Latour who ultimately persuaded Rudolf not to submit the memorandum to the Emperor.⁵⁸

Emperor Franz Joseph was uncomfortable with his son's political ambitions and kept him in the dark about relevant political news. Rudolf's discontent with his lack of influence continued to grow and he sought other channels for information. He approached Menger often. In 1881, Rudolf asked for an introduction to a journalist who could both act as a source of pertinent political information and publish his self-penned articles anonymously. According to his son, Menger was happy to pass these onerous tasks to someone else. He still had the methodology project to complete and various administrative responsibilities at the University to fulfill – Menger was dean of the law faculty in 1881/1882 and vice-dean in 1882/1883. For Rudolf's new political operative, Carl chose Moriz Szepe, editor of *Neues Wiener Tagblatt*, successor of his old *Wiener Tagblatt*. Szepe was not a close friend, but Menger judged him sufficiently influential, liberal, mature, and – perhaps most importantly – discreet.⁵⁹ Szepe was intrigued by the idea and he met Rudolf in October 1881.⁶⁰ Karl also reports that, two years later, Menger tried to put Rudolf in touch with Eduard Bacher, editor-in-chief of the leading liberal newspaper, *Neue Freie Presse*, but it is unclear if this led anywhere.

Both Carl and Rudolf opposed another phenomenon spreading in Vienna at the time, namely, spiritualism, which was popular in aristocratic circles.⁶¹ Rudolf himself hosted a séance in late 1881, where Menger and the painter Hans Canon pulled a curtain, revealing the spiritualist and exposing him to ridicule. At Rudolf's request, Menger published a note about the event in *Neues Wiener Tagblatt*.⁶² Rudolf fretted when aristocrats and politicians fell under the influence of spiritualists, and worried that even the Emperor, who had expressed interest in the subject, might be susceptible. Still concerned with Rudolf's impulsiveness, Carl warned him not to act against the Emperor on this matter and, more generally, not to express negativity about his father so openly, especially around people who might not be worthy of his trust. Rudolf could not know who might report

his comments back to other powerful people. But Menger supported his effort to unmask the spiritualists. Rudolf authored a pamphlet against the movement, which first circulated in private – Menger received a copy – and was later published anonymously.⁶³ Karl discusses this pamphlet in the unfinished biography.

Rudolf approached Menger in January 1883 to inquire whether any of his former students might make a suitable assistant to the Crown Prince. Menger recommended Victor Mataja, one of his most talented students.⁶⁴ Rudolf moved to Laxenburg castles outside Vienna in mid-1883, where he met with Menger more often. However, their relationship cooled somewhat shortly thereafter. Menger noted in his diary retrospectively that Rudolf had withdrawn from him. According to his son, one reason for the chill might have been another warning not to act against the Emperor, this time more sternly worded. But, Menger was still regularly invited to visit the Crown Prince and he was introduced to the Crown Princess, Stephanie of Belgium, whom Rudolf had married in 1881. Menger and Rudolf even went fishing together, but Menger noted in his diary that political discussion was avoided.

During 1885 and 1886, Rudolf was busy with military obligations and with editing his monumental work *Die österreichisch-ungarische Monarchie in Wort und Bild* (“The Austrian-Hungarian Monarchy in Words and Pictures”). According to Karl, Rudolf had hoped to convince Menger to edit and contribute to this so-called *Kronprinzenwerk*, but Carl declined to focus on his academic duties and scientific work. Karl reports that their relationship had warmed again by 1887 and Menger agreed to join the editorial board as the new economic editor of the *Kronprinzenwerk*.⁶⁵

Based on his father's diary, Karl concludes that Rudolf's descent seems to have commenced by April 1888.⁶⁶ Menger had not seen the Crown Prince for a while, and he noted in his diary Rudolf's disheveled appearance and the massive amounts of alcohol he consumed. This is the last meeting between the two mentioned in Menger's diary. They would exchange a few more letters, according to Karl, the last written by Rudolf on December 3, 1888.

Karl does not discuss Rudolf's suicide in the unfinished biography, but reproduces with a few annotations his father's reaction to it, as described in his diary. On January 30, 1889 at the Imperial family's hunting lodge at Mayerling in the woods outside Vienna, Rudolf committed suicide, after murdering (albeit at her own behest) his 17-year-old mistress, Baroness Mary Vetsera.⁶⁷ Menger's diary entry for this date lamented the turn of events as “Horrible! [...] A heavy loss for Austria and all of us.”

According to his diary, Menger spoke to one of the physicians who performed the autopsy on Rudolf's corpse, who told him that anomalies had been discovered in the brain. Rudolf was posthumously diagnosed with mental aberration, which ensured that he could be buried with ecclesial honors. Menger's diary described Rudolf as an “ingenious man,” but he also complained that he had made tremendous sacrifices for the Crown Prince, all of which had, because of the latter's own stupid and selfish actions, ultimately served no good purpose. These are the last entries in Carl Menger's diary. According to his son, he never started another.

CONCLUSION

Karl reports that, after Rudolf's death, Menger's association with the Imperial family was limited, though he occasionally met with the Emperor and was invited to visit by members of the Imperial family. Karl concludes that his father's relationship with the aristocracy effectively came to an end with Rudolf's death. However, the Menger family would benefit from this relationship when Karl, born out of wedlock in 1902, was legitimized by Imperial decree in 1911 (Scheall & Schumacher, 2018, pp. 651–652).

The unfinished biography includes Karl's scattered reflections on his father's politics. He described his father as "a liberal economist, with some conservative leanings." He portrays Carl Menger as a defender of liberalism, who disapproved of the aristocracy and the church, especially of their privileges. The picture Karl paints is of a man who rejected all varieties of paternalism. Karl argues that his father's more conservative side is apparent in his appeal for a competent conservative party in his contribution to the pamphlet written with Rudolf against the aristocracy. This fits the portrayal of Carl Menger in the biography by Margarete Boos (1986), who argued that Menger preferred historical continuity and piecemeal evolution to revolution and abrupt political change. Karl also stresses that his father was a convinced democrat, who often considered social issues from the perspective of the poor and disadvantaged, and who always championed their interests. His democratic convictions and sympathy for the downtrodden distinguished Menger from many other Austrian liberals, who tended toward elitism and sympathy with the interests of the propertied and educated *Bürgertum* (Bled, 1989, p. 29). It was this sympathy that led many in the Imperial court to suspect Menger of socialism (Hamann, 1979, p. 437). However, according to his son, Menger opposed socialism and communism. He argued that an unequal distribution of wealth was good for society, to some degree, as long as those favored did not thereby acquire undue privileges or forget their obligation to help the poor.

Menger's political activity occurred mostly in the background. He expressed his opinions, but often in anonymously published newspaper articles or in hushed discussions in coffeehouses surrounded by family, friends, and trusted colleagues. He sympathized with the German-liberal party, which he voted for at every opportunity, according to his son. Menger supported the party's primary ambitions, namely, a liberal constitution and the unification of all the Empire's nationalities under German leadership, but he was often very critical of the actual policies that the party pursued, especially when in power. His son claimed that Carl never officially joined a political party, but this might be an error. Menger was appointed to the upper house of Austrian parliament (the *Herrenhaus*) in 1900 and contemporary newspapers report that he joined the *Verfassungspartei*, the German-liberal party (e.g., Bohemia, 1921; Prager Tagblatt, 1900).⁶⁸

Above all, the picture that emerges from the unfinished biography is that of a man of science. Menger rejected promising and profitable opportunities in journalism and civil service to dedicate his life to economics. He encouraged students to think independently. Given his goal to reform political economy from its foundations up, his scientific interests extended far beyond his own field. His aim was

objective knowledge and he tried to treat all scientific problems without dogma. Hamann (2017 [2005], p. 53) has argued that Carl Menger's ideal was "the man without prejudice" – an image abundantly confirmed by his son's unfinished portrayal.

NOTES

1. Karl Menger wrote a few anecdotes of these trips, which can be found in Box 33 of the *Karl Menger Papers*.

2. The *Carl Menger Institut* was founded in 1985 and directed by Albert Zlabinger (see Zlabinger, 1988). It survived only a few years. *The International Carl Menger Library* (reprinted works of Austrian economists and was founded by the *Philosophia Verlag*. Zlabinger was its editor-in-chief. After the *Carl Menger Instiut* was founded, the *Institut* became joint editor of the *Library*.

3. Zlabinger and Paul Silverman also read draft chapters at some point.

4. To date, the most comprehensive study of Menger's life was offered by Margarete Boos (1986) in her doctoral thesis. Boos did not have access to the *Carl Menger Papers*. Yukihiro Ikeda's (1997) doctoral thesis on the genesis of Menger's *Grundsätze*, which did rely on the *Carl Menger Papers*, also deserves mention, though it covered only a limited period of Menger's life. Both of these doctoral theses were written in German and, thus, are of limited value to scholars not fluent in the language.

5. The majority of existing drafts can be found in Box 28 of the *Karl Menger Papers*. Additionally, there are drafts in Boxes 11, 26, 36, 41, 42, and 48 of the *Karl Menger Papers*, Box 21 of the *Carl Menger Papers*, and Box 24 of the *Gottfried Haberler Papers* at Stanford University's Hoover Institution.

6. There are no drafts of these planned chapters apart from two short documents that might have been intended for the later part of the book: first, a one-page draft on the development of the Austrian school, and second, a two-page draft on the relationship of Carl Menger to Hermine Andermann, Karl's mother, which indicates that Karl might have planned to discuss their relationship in the biography as well. On the relationship of Carl Menger and Hermine Andermann, see Scheall and Schumacher (2018).

7. Beginning in March 1875, Carl Menger kept a diary for a short time that included a brief outline of his life to that point. He stopped regularly keeping a diary early in 1889 and added only a few keywords between 1889 and 1893. This diary is part of the *Carl Menger Papers* (C. Menger, 1875–1893).

8. Karl mistakenly writes that his father was 62 years old when he was born.

9. Karl lived alone with his mother, Hermine Andermann, in his early years. His father lived nearby. Only in 1912 or 1913, when Karl was around 10 years old, did the family move together to a new home (Scheall & Schumacher, 2018, p. 651).

10. For more on Menger's (non-)Aristotelianism, see Crespo (2003). A rejection of the interpretation of Menger as an Aristotelian is also given by Karl Milford (1989).

11. All information in this section is taken from the unfinished biography.

12. Carl's paternal lineage can be traced back to the Middle Ages. The Mengers were originally from Alsace. In 1301, Heinrich Menger served, carrying his flag and coat of arms, as captain in the army of Albrecht I during the siege of the western German city of Bingen. In 1633, during the Thirty Years' War, a young shoemaker named Bartholomäus Menger moved from Germany to Cheb. Born in 1744, Anton Menger, Carl's grandfather, was Bartholomäus's great-grandson.

13. Two older brothers lived in Prague at the time.

14. Late in life, Carl stated that this library included around 4,000 volumes, most of them legal treatises, but also many historical and economic works. Carl claimed that before they were 10 years old, he and his brothers were reading with interest the works of Montesquieu, Adam Smith, Jean-Baptiste Say, Louis Say, David Ricardo, James Maitland (Earl of Lauderdale), Gottfried Hufeland, and others (quoted in Feilbogen, 1911, p. 56n).

15. Later in life, Carl Menger stated that, in addition to philosophy and ethnography, mathematics was always among his favorite subjects (quote in Feilbogen, 1911, p. 57n).

16. Back in Czeszyn, Anton became embroiled in a controversy with his religion teacher. Anton argued that God's righteousness could not be reconciled with the claim that unbaptized children do not go to heaven. Anton was expelled when he refused to affirm the dogma demanded by the school authorities (Grünberg, 1909, pp. 31–32).

17. Karl seems not to have known this. He apparently had no record from the university archives in Vienna and Prague. The information he reproduces in the biography is drawn from his father's diary. On Mischler as Menger's economics teacher, see Ikeda (1997, pp. 38–40, 90–116) and Streissler (1990a, pp. 179–180, 1990b).

18. He changed fraternities three times during his stay in Prague, according to his son, who, however, does not mention which fraternities.

19. The *Lesehalle* consisted mainly of a library, while the *Redehalle* focused on lectures, debates, exhibitions, and theatrical performances. For details and a history of the *Lese- und Redehalle*, see Čermák (2006).

20. Carl Menger's draft of the statute can be found in the *Carl Menger Papers* (Box 23).

21. It seems that Menger maintained this position in later years, but his son does not discuss this. In a newspaper article written on the occasion of Friedrich List's centenary, Menger (1889) argued that List was right to argue for protective tariffs given Germany's political and economic circumstances at the time.

22. Kiichiro Yagi (1992) and Ikeda (1997, pp. 41–65) also discuss Menger's journalistic contributions.

23. The new law came into effect in Cisleithania in December 1862 (K. k. Hof- und Staatsdruckerei, 1869).

24. "Centralistic" in the sense of advocating for a centralized system of governance in the Austrian Empire (usually under German leadership), as opposed to a decentralized one, in which the different nationalities of the multiethnic state would have more power. This is not to be confused with "centrist" in the sense of being politically moderate per se.

25. On Carl Menger's liberalism, see Ikeda (2010); on Max Menger's liberalism, see Yagi (1991); on Anton Menger's socialism, see Grünberg (1909).

26. The Belcredi government had suspended the so-called February constitution, which the liberal government had introduced in 1861. The dispute was mainly about centralism and federalism in the Austrian empire. Belcredi was unpopular in liberal circles. Karl reports that Max Menger, in his own diary, took his brother to task for having a discussion with Belcredi at all.

27. Perhaps based on a misreading of an entry in Menger's diary, Yagi (1992, p. 97) incorrectly gives November 24, 1865, as the date of the first issue.

28. While several Viennese newspapers harshly criticized Belcredi's government, according to Karl, the *Wiener Tagblatt* argued against unfair attacks on the conservative government.

29. Karl Menger states the *Wiener Tagblatt* first appeared unstamped and without Menger's name on the masthead on February 26, 1866. However, this is incorrect. The first such issue was published on either February 28 or March 1, 1866. The February 28, 1866 edition is missing from the Austrian National Library, the only institution (to our knowledge) that retains copies of the *Tagblatt*.

30. Karl does not provide any details about his father's examinations, but Ikeda (1997, pp. 60–65) reports on the four oral examinations, which took place in March 1865, August 1865, January 1867, and March 1867.

31. For information on Granitsch, see Österreichische Akademie der Wissenschaften (1959, p. 47).

32. These notebooks can be found in the *Carl Menger Papers* at Duke. Ikeda (1995, 1997) and Yagi (1993) have analyzed parts of the notebooks, especially those relating to Menger's economic thinking.

33. Karl devotes four chapters of the biography to his father's early scientific work and this section is based on these four chapters.

34. Schlick was a charter member of the Vienna Circle. In his own autobiography, [Karl Menger \(1994, pp. 34–35\)](#) commented on his father's philosophical ideas and translated a few passages from his father's notebooks.

35. According to his son, Carl Menger introduced his own symbols for these two notions, which he used in his notes and marginalia: for the former, he would write " $a + xb + y$ " and, for the latter, a right-angled triangle standing on its peak. On the use of this triangle symbol in Carl Menger's notebooks, see [Yagi \(1993, pp. 707–713\)](#).

36. Menger's marginalia on Rau's book have been published by [Kauder \(1963\)](#).

37. *Die Debatte* was a semi-official newspaper, which was replaced by the *Tagespresse* ([Paupié, 1960, pp. 117–118, 129–130](#)). *Die Debatte* was not "a polemical evening paper" as [Yagi \(1992, p. 96\)](#) states, but a serious newspaper with federalist, anti-Slavic, and Magyaphile tendencies.

38. Of course, as pointed out by an anonymous referee, by becoming a university professor, Menger was still a civil servant and Imperial employee, just not the sort that Auersperg seemed to have thought he could have become.

39. According to Karl, Stein "attempted to give an economic explanation of jurisprudence. In his economic teachings Stein, a Hegelian, used a speculative method. He was a stimulating, at times brilliant, lecturer, but he did not found a school."

40. Karl misspells Hack's name as Haak. We were not able to determine Hack's full name. It is sometimes claimed that the *Grundsätze* was widely ignored upon initial publication, especially by German economists. As early as 1934, [Hayek \(1934, p. 403\)](#) wrote that "the immediate reception of the book can hardly be called encouraging." But this contention is not sustainable on the available evidence. Three of the four academic economic journals published in Germany at the time reviewed the book. One was the review by Hack, the other two by unknown authors ([Unknown, 1871, 1872](#)). There was also a short positive review by Gustav von Schönberg, published anonymously in *Meyers Deutsches Jahrbuch* ([Schönberg, 1872](#)), a short and more critical review by [Gustav von Schmoller \(1873\)](#), as well as reviews in newspapers, including the very friendly review by Emminghaus mentioned by Karl. Menger's book was also positively received in Austria. A short review by [Gerichtshalle \(1872\)](#) stated that the "work of the young Austrian scholar had already received multiple and warm recognitions, particularly in Germany, remarkably" (our translation).

41. Contemporary newspapers reported in July 1872 that Menger was admitted as a *Privatdozent* to the law faculty of the University of Vienna (e.g., [Neue Freie Presse, 1872](#)).

42. Stein would be elected dean two years later. [Carl Menger \(1891\)](#) wrote a long obituary for Stein. In the unfinished biography, Karl writes that his father suspected Stein would be unsympathetic toward him and that this suspicion was proven right several times.

43. An overview of economic classes offered at the University of Vienna at the time can be found in [Howey \(1960, pp. 173–175\)](#).

44. In fact, it seems that Menger did not abandon the project at the time, but merely postponed it. He later received some government funding for this project (e.g., [Neue Freie Presse, 1883](#)), but we have no evidence that he ever developed it beyond this nascent stage.

45. Menger championed reform of the study of economics throughout his life. On Menger's later efforts, see [Boos \(1986, pp. 59–60\)](#).

46. The most comprehensive study of Crown Prince Rudolf can be found in the recently translated biography by [Brigitte Hamann \(2017 \[2005\]\)](#), which also discusses Carl Menger's role in Rudolf's life.

47. The unfinished biography includes syllabi and extracts from Rudolf's notes on Menger's lectures. This material is kept at the Austrian State Archives. Karl apparently had copies. They have since been edited and published by [Erich Streissler and Monika Streissler \(1994\)](#). The latter volume includes an introductory essay by Erich Streissler that reflects on Menger's relationship with Rudolf and the content of the lectures.

48. Several conservatives in the Imperial Court blamed Menger for Rudolf's "atheistic, democratic, and [r]epublican world view." However, Rudolf held these positions before Menger was appointed as his economics teacher. [Hamann \(2017 \[2005\], p. 52\)](#) argues that Menger could have influenced Rudolf only in particular matters. The Crown Prince's

general philosophy was set before Professor Menger's appearance in his life. A brief discussion of their differences, especially regarding their assessments of the French Enlightenment, can be found in Ikeda (2010, pp. 14–17).

49. Karl's account contradicts the claim that Menger "taught every winter and summer semester beginning in 1875 until his retirement in 1903" (Caldwell, 2004, p. 27).

50. In 1878, as noted in his diary, Menger refused an Order of the Prussian Crown, third class, which he was awarded after a visit to Berlin.

51. Karl does not provide a source for this letter, but he refers to Hamann (1978), who quotes Albrecht's letter to Rudolf, in the introduction to the unfinished biography.

52. Karl's unfinished biography includes an annotated summary of the pamphlet. He also reproduces the preface and conclusion as well as five and a half pages, which were omitted from the volume of Rudolf's secret and private writings edited by Hamann (1979). Hamann had not included these pages, since they were written by Menger, not Rudolf, which is why Karl wanted to include them in the biography.

53. This contradicts Hamann's (1979, p. 19) claim that Menger's contribution was confined to the discussion of university education.

54. We have not found this plan in the *Carl Menger Papers*. Karl's account contradicts Hamann's claim that the pamphlet was written while Rudolf and Menger were in England in early 1878 (Hamann, 2017 [2005], p. 70, 1979, p. 19).

55. We have not found these letters in the *Carl Menger Papers*. We think that it may have actually been Anton Menger who corresponded with Ackermann under the guise of Friedrich Saalfelden. In the wake of Anton's death in 1906, the *Neue Freie Presse* reported that the pamphlet had been written by Rudolf, but identified Anton as the person who corresponded with Ackermann. Perhaps to protect Carl, who was still very much alive in 1906, the *Neue Freie Presse* downplayed his role to that of intermediary between Rudolf and Anton. According to the news report, following Rudolf's death in 1889, Anton had revealed the authorship of the pamphlet and his role in its publication to a friend (*Neue Freie Presse*, 1906). Since Carl and Rudolf were traveling when the correspondence with Ackermann took place, it is possible Anton was involved.

If this is right, then the surviving correspondence (and the surviving plan of the pamphlet written by Rudolf) might have been retained by Anton rather than, as Karl suggested, misplaced by his father (thus, it might have been saved from destruction when Carl Menger burned his correspondence). This would also resolve a puzzle in the accounts of Karl Menger and Hamann (2017 [2005], p. 72), both of which indicate that the correspondence between Carl in Vienna and Ackermann in Munich took place while Carl and Rudolf were in fact abroad.

56. These letters seem not to be part of the *Carl Menger Papers*.

57. The draft is reproduced in the unfinished biography and can be found in the *Carl Menger Paper* (Box 23).

58. The memorandum is reprinted in the collection of Rudolf's secret and private writings (Hamann, 1979, pp. 55–78). Hamann seems unaware of Menger's role in its composition (see also her discussion of the memorandum in Hamann, 2017 [2005], pp. 106–110).

59. In contrast to Karl Menger, Moriz Szeps' son Julius Szeps stated that Carl Menger and Moriz Szeps were close friends (Szeps, 1922, p. xv).

60. On the "inappropriate friendship" between Rudolf and Szeps, see Hamann (2017 [2005], pp. 133–164).

61. On Rudolf's activities against spiritualism, see also Hamann (2017 [2005], pp. 130–131).

62. Canon also published an article about the event in *Neue Freie Presse*, which Rudolf had not authorized, according to Karl.

63. The identity of the author soon became known (Hamann, 2017 [2005], p. 131).

64. We could not verify whether Mataja accepted the position. A member of the second generation of Austrian School economists, Mataja received his habilitation in 1884 from the University of Vienna, the same year he published his first book *Der Unternehmervorgewinn*. He was also twice Director of the Austrian Ministry of Trade (*Österreichische Akademie der Wissenschaften*, 1975, p. 135).

65. Karl does not discuss his father's role in the *Kronprinzenwerk*. Menger did not ultimately contribute to this 24 volume work, though he edited the sections on "economic life" that appeared in six volumes published between 1889 and 1897.

66. Rudolf's "descent" is described in detail in Hamann (2017 [2005]).

67. An account of the developments leading to the events at Mayerling, as well as a detailed discussion of the days before and after the murder-suicide, can be found in Hamann (2017 [2005], pp. 321–426).

68. If this is right, Menger may have left the *Verfassungspartei* after only a short time. An overview of the *Herrenhaus* in 1907 lists Menger as an independent (Kolmer, 1907).

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APPENDIX: DETAILED LIST OF CONTENTS OF KARL MENDER'S UNFINISHED BIOGRAPHY OF CARL MENDER

What follows is a reconstructed table of contents of the existing chapters of the biography. The chapters and section titles from the last-written draft of each chapter are indicated below. Where sub-sections were numbered without titles in Karl's drafts we have added a descriptive title in square brackets.

00 Einleitung

1. [About the nature of this biography.]
2. [A brief summary of Carl Menger's life.]
3. [Karl Menger's recollections of his childhood.]
4. [How Carl Menger has been misrepresented.]
5. [On writing this biography.]
6. [What else does this biography contain.]

01 Vorfahren und Kindheit

1. Die väterliche Linie und.
2. die mütterliche Linie.
3. Die Eltern und.
4. ihr schweres Los.
5. Nach den Tode des Vaters.

02 Schulen

1. Elementarschulen.
2. Das Gymnasium in Teschen.
3. Die humanistische Ausbildung und der Unterricht in Mathematik.
4. Ein Jahr in Troppau.
5. Die Bibliothek.
6. Abschluss in Krakau.

03 Universitätsstudien

1. Ein Jahr in Wien.
2. Das Carolinum. "Die deutschen Studenten der Prager Universität und ihre Verbindungen." Gedenkrede auf Moritz Arndt.
3. Die Lesehalle.
4. Erste wissenschaftliche Aufzeichnungen (1862): Philosophie.
5. Erste nationalökonomische Notizen: Freihandel. Kommunismus. Geld.
6. Streit mit dem Dekan.
7. Ende des Universitätsstudiums 1863.

04 Erste Journalistenjahre

1. Unterredakteur der "Lemberger Zeitung."
2. "Der Botschafter" und "Die Presse" in Wien.
3. Ablegung des Prädikates "von Wolfensgrün."
4. Projekt einer Zeitungsgründung. Unterredung mit Staatsminister Belcredi.
5. Die Gründung des "Wiener Tagblatt."
6. Die Behandlung sozialer Probleme.
7. Die Übernahme des Blattes durch die Regierung.
8. Wiener Zeitung.

05 Philosophie

1. Urlaub. Wiederaufnahme von Aufzeichnungen. Ihr Parallelismus zu den Studentennotizen.
2. Philosophie in modernem Geiste und minder glückliche Versuche über das Unendliche.
3. Erkenntnistheoretische Gedanken.
4. Plan einer "Kritik der Metaphysik vom empirischen Standpunkte."
5. Der Platz dieser Gedanken in der Geschichte österreichischer Mentalität.

06 Ökonomie

1. Ein break-through.
2. Begriffsanalysen: Gut, Wirtschaft.
3. Wirtschaft und Recht.
4. Verkehrsgüter.
5. Plan eines Systems.
6. Die Entscheidung.
7. Einsichten, mit denen Menger ans Werk herantritt.
8. Und wie er die Arbeit beginnt: Lektüre von Rau; Anlegung eines Theoretischen Repertoriums; Beginn der Exzerpt- und Notizhefte.

07 Die Exzerpt- und Notizhefte 1867/1868

- Einleitung.
- Heft 1 (7.IX.67):
Über Ungleichheit der Einkommen. Ein methodologisches Buch von Knies. Carey's Grundtheorie. Zu Mengers Wertlehre. Die "Formel" $a + xb + y$.
- Heft 2 (18.IX.67).
- Heft 3 (25.IX.67):
Beurteilung Hegels. Mengers Erkenntnisweise. Wert und Güterqualität. Arbeitswert. Hegels Rechtsbegriff.
- Heft 4 (30.IX.):
Über Zweckreihen. Über Fichtes geschlossenen Handelsstaat.

- Heft 5 (10.X.):
Motto. Über Thünen. Über Liebig.
- Heft 6 (21.X.):
Erwähnung von Isothermen.
- Heft 8 (1.XI.67):
Geld – eine Quecksilbersäule. Einverständnis von Käufern und Verkäufern, Konsumenten und Produzenten. Die traurigste Konsequenz der Arbeitsteilung. Über Krisen.
- Heft 9 (21.XI.67):
 1. Die Kaufkraft des Goldes heute und im 15. Jahrhundert.
 2. Lokale Teuerungen.
 3. Volkseinkommen und Volksvermögen.
 4. Gedanken über Arbeitsteilung.
 5. Öffentliche Ansichten.
- Heft 10 (10.XII.67):
 1. Bellum omnium contra omne.
 2. Zur Sozialen Frage.

08 Der Ausweg aus den Labyrinthen

09 Weitere Journalisten Jahre und Ministerielle Tätigkeit

1. Fortsetzung journalistischer Tätigkeit.
2. Wiedereintritt bei der Wiener Zeitung.
3. Österreich 1867–1871.
4. Mengers politisches Memorandum.
5. Kurze Tätigkeit im Ministerpräsidium.

10 Beginn der Akademischen Laufbahn

1. Habilitation.
2. Persönlicher Kummer.
3. Auswärtige Angebote. Erste Schüler. Außerordentliche Professur.
4. Erste Vorlesungen und Beginn des Seminars.
5. "Fasse Plan zur Methodologie."
6. Bericht an den Kaiser. Weitere Entwicklungen.
7. Die juristische Fakultät.
8. "Die Ursachen meiner Kränklichkeit."
9. Sorge für jungen Wissenschaftler.
10. Wieser und Böhm-Bawerk.

11 Unterricht des Kronprinzen

1. Mengers Lehrplan.
2. Die ersten zwei Unterrichtsmonate.

3. Die zehn Kapitel von Mengers Vorlesung.
4. Aus Rudolfs Vorlesungsheften: Privateigentum. Staatliche Einflussnahme auf die Wirtschaft. Das österreichische Geldwesen.
5. Beendigung des Unterrichts. Prüfung Rudolfs.

12 Rudolf, Menger und der österreichische Adel

1. Reise nach Paris. Mengers Bibliothek.
2. Reisen mit Rudolf in die Schweiz und nach Teschen. Gemeinsamer Artikel über die Albrechtsche Domäne.
3. Zusammenarbeit an einem Büchlein über den österreichischen Adel.
4. Inhaltsangabe der Broschüre.
5. Reise mit Rudolf nach England und Irland.
6. Rückkehr über Paris und Berlin. Begegnung mit Helmholtz.
7. Nach der Heimkehr.

13 Menger und Rudolf, 1879–1889

1. Vorübergehende Trennung.
2. Politische Beratungen.
3. Mengers Entwurf für eine Denkschrift an den Kaiser.
4. Rudolfs Denkschrift.
5. Zwei politische Fragmente.
6. Rudolf über König Ludwig von Bayern.
7. Einführung von Szeps.
8. Spiritisten in Wien.
9. Mengers erneute Warnung: Alles durch den Kaiser, nichts ohne, geschweige denn gegen ihn.
10. Rudolfs Broschüre über Spiritismus.
11. Politische Briefe.
12. Konservative Literatur für Rudolf.
13. Suche nach einem Sekretär.
14. Wiederholte Warnungen. Der Wendepunkt in den Beziehungen.
15. Neubelebung derselben.
16. Rudolfs Tod.