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**History as a way of doing economics: Roberto Simonsen and the diffusion of the German tradition of economic thought in Brazil**

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**Abstract**

This study deals with the diffusion of German economic thought in the works of the Brazilian economist and economic historian Roberto Simonsen (1889-1948). It has a threefold purpose: to show that German economic ideas were present in early 20th-century Brazil; to investigate the ideological and methodological affinities that are associated with this diffusion; and to deepen the understanding of the economic ideas of Roberto Simonsen, by means of the influences of German ideas on his thought. In addition to Roberto Simonsen, the authors more carefully analyzed here are Karl Rodbertus, Gustav Schmoller and Adolph Wagner. These thinkers, in their different contexts, were concerned with the constitution of a national economy, hence the specificities of the historical development of economies were central to them.

Keywords: Roberto Simonsen, German Historical School, Gustav Schmoller, national economy.

**Resumo**

Este artigo aborda a difusão do pensamento econômico alemão nos trabalhos do economista e historiador econômico brasileiro Roberto Simonsen (1889-1948). O texto tem três objetivos: mostrar que ideias econômicas alemãs estavam circulando no Brasil do início do século XX; investigar as afinidades ideológicas e metodológicas associadas a esse tipo de difusão de ideias; e aprofundar a compreensão das ideias econômicas de Roberto Simonsen, por meio de suas influências alemãs. Além de Roberto Simonsen, os autores analisados com mais cuidado são: Karl Rodbertus, Gustav Schmoller e Adolph Wagner. Em seus diferentes contextos, esses pensadores estavam preocupados com a constituição de uma economia nacional, portanto as especificidades do desenvolvimento histórico das economias era central para eles.

Palavras-chave: Roberto Simonsen, Escola Histórica Alemã, Gustav Schmoller, economia nacional.

JEL classification: B31, B15, B25.

# History as a way of doing economics: Roberto Simonsen and the diffusion of the German tradition of economic thought in Brazil

## 1. Introduction

This article deals with the diffusion of the German tradition of economic thought in Brazil, especially in the works of the businessman, economist and economic historian Roberto Simonsen (1889-1948) who, for his role of leadership among industrialists and for his protectionist positions, became a symbol for the defense of Brazilian industrial development. The idea of German economic tradition, as understood here, refers to the German intellectual environment, that since the 18th century incorporated into economics issues related to the development of the state and of the constitution of the nation. The German Historical School of economics was a very important manifestation of this tradition, but not the only one.

Both Simonsen in the early 1900s and German economists of the 19th century were faced with questions such as economic backwardness and national development. In Germany, the goal was to achieve and secure national unity as a means to foment the industrial economy, in an international European competition that would be intensified at the end of the century. In Simonsen's Brazil, the fragility of a commodity-exporting economy preoccupied economists and politicians: Simonsen was a representative of the view that Brazilian economic strength depended on industrialization. In both cases, the development of the nation, as a historical process, is a central question.

The study of the international diffusion of economic thought may be very enriching for the history of economics, as José Luís Cardoso pointed out.<sup>1</sup> An important contribution of this kind of investigation is that it helps to understand both the nature of economic ideas being "exported" and the context in which they are "imported". The processes of selection, adaptation and recreation of ideas can reveal a lot about emissaries and recipients of a certain lineage of economic thought. In that sense, this paper has a threefold purpose: to show that German economic ideas were present in early 20th-century Brazil; to investigate the ideological and methodological affinities that are associated with this diffusion; and to deepen the understanding of the economic ideas of Roberto Simonsen, through the influences of German ideas on his thought. In addition to Roberto Simonsen, the authors more carefully analyzed here are Karl Rodbertus, Gustav Schmoller and Adolph Wagner.

In order to address the issues raised here, the article is divided into three more sections, apart from this Introduction. Next section presents a short biography of Roberto Simonsen. The third part then generally introduces Simonsen's economic thought. In the fourth section, we directly identify the presence of the German tradition in Simonsen's works. Lastly, we outline the final remarks and close the argument, in the fifth section.

## 2. Intellectual and industrialist: a short biography of Roberto Simonsen

Although Roberto Cochrane Simonsen was born in 1889 in Rio de Janeiro, Brazil, he recognized himself as a *Paulista*, i.e. from São Paulo State. He belonged to a well-off family of British ascendancy: his maternal grandfather, Wallace da Gama Cochrane, was an engineer engaged in the railway business. One of the companies where he worked was "São Paulo Railway", which was very important in the course of the late 19th century and beginning of the 20th because it connected Santos, the port where the great bulk of Brazilian coffee was shipped abroad, to the most productive regions to the center and to the west of the State of São Paulo.

He graduated in 1909 from the Escola Politécnica de São Paulo (São Paulo Polytechnical School), which was later incorporated into the University of São Paulo. Simonsen's professional life began in the Santos, where his family originally lived. His main business was building: he controlled a company called Companhia Construtora de Santos (Santos Building Company), which played an important role in the urban modernization of the city of Santos. One of the main buildings erected by this company was the Palace for the Bolsa do Café (Coffee Exchange, built in 1922), which symbolized the hegemony of the coffee-exporting economy in early 20th-century Brazil.

In 1919 Simonsen was invited by Brazilian authorities to take part in the Mission to Great Britain, which had the purpose to strengthen commercial ties between the two countries. This invitation catapulted Simonsen into a business environment more cosmopolitan than the one in which he had been since then. In the course of the 1920s, Simonsen started to act not only on behalf of his own businesses, but as an industrialist leader. In 1924 he addressed a letter to Edwin Montagu, a British "money doctor" visiting Brazil, pointing to the necessity of economic diversification,

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<sup>1</sup> Cardoso 2009.

emphasizing national interests and giving suggestions concerning national economic policy. This moment can be seen as a mark for the beginning of Simonsen's trajectory as a public man and as a national thinker.

In 1928 Simonsen was co-founder of the Center for the Industries of São Paulo State (CIESP, in the Brazilian acronym), an association of industrial capitalists that broke with the umbrella entity called São Paulo Commercial Association, which had gathered entrepreneurs from the industrial sector as well as from commercial businesses. In 1930 Getúlio Vargas seized presidential power in Brazil as a result of divisions within the ruling oligarchies. Simonsen then swelled the chorus of an important sector of the *Paulista* elite and opposed Getúlio Vargas, as he withdrew political autonomy from the states. Simonsen participated actively in the Constitutionalist Movement of 1932, which demanded that President Vargas swear a constitution and that states have the freedom to choose their own governments. In 1933 Simonsen was elected deputy to the Federal Constituent Assembly as a representative of the industrialists from São Paulo, being reelected in 1935 to the following legislature, which was interrupted by a coup d'état performed in 1937 by President Vargas, who instituted the authoritarian regime known as Estado Novo. In spite of losing his mandate, Simonsen was in favor of the new centralized regime: this shift in his political stance to Vargas was possibly influenced by the fact that he integrated the Federal Board of Foreign Trade, a very important institution in the centralized state apparatus that the Vargas administration was building.

As a member of parliament Simonsen was an advocate of protectionism: he took a radical position against the Brazil-US Trade Agreement, that was discussed and ratified by Congress in 1935. His speeches in the course of parliamentary debates included references to economists like Adolph Wagner and Karl Rodbertus. In the 1930s, Simonsen founded the Free School for Sociology and Politics (*Escola Livre de Sociologia e Política*, ELSP) in São Paulo, together with other members of the cultural and economic elite willing to invest in an institution where a more applied knowledge would be produced and transmitted. The School was in a certain sense a project alternative to that of the recently founded Universidade de São Paulo. The most important influences on USP were French intellectuals such as Fernand Braudel, Pierre Monbeig and Claude Lévi-Strauss, whereas the ELSP was fundamentally structured by American sociologists, brought by Simonsen and his partners to teach in Brazil. Simonsen himself was a lecturer for Brazilian economic history at ELSP.<sup>2</sup>

In order to provide material for the course given at the School for the first time in 1936, Simonsen wrote the book *História econômica do Brasil* (Economic history of Brazil), published in 1937, which would become a classic in the field of economic history in Brazil. An example of its importance is that it provided insight and historical data for Celso Furtado, who later wrote his famous interpretation of Brazil's economic formation (1959), translated to English as *The economic growth of Brazil*.<sup>3</sup> In 1939 Simonsen published another study that became quite popular in the field of industrial history in Brazil: *Evolução industrial do Brasil* (Brazil's industrial evolution, 1939).

In the course of the 1940s a very important event in Simonsen's intellectual was the debate with Eugênio Gudin (1886-1986), the most prominent liberal economist in Brazil at the time. As a member of the National Board for Commercial and Industrial Policy, an important organ within the Vargas administration Simonsen was given the task to draft a proposal for centralizing economic planning in Brazil. This text, written in 1944, was handed over to the Commission for Economic Planning. Eugênio Gudin, a member of this Commission, responded to Simonsen's draft with harsh criticism, which led the latter to write an extensive replica in 1945. This discussion, known as "controversy on planning", was later published and gave Simonsen the reputation of being one of the founding fathers of Brazilian heterodox economics.

Simonsen's general political position from the end of the 1920s onwards, evident in his parliamentary addresses, in the debate with Gudin, and in many other texts, was very similar to the one adopted by economists belonging to the German Historical School, especially the ones associated with the *Verein für Sozialpolitik*. He rejected economic liberalism, represented by the Manchester School, as well as communism and socialism. The state should act on behalf of the nation, and not of one class. His nationalism in turn was strongly influenced by the class perspective of the industrial capitalist: industrialization was the key for national development. After the dissolution of Estado Novo Roberto Simonsen was elected to the Senate in 1947, representing São Paulo State. By that time he had

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<sup>2</sup> For information on the foundation and pedagogical project of the ELSP, see Limongi 1989; for the influences of American sociology on the Free School for Sociology and Politics and on Simonsen's thought see Cavalieri and Curado 2014.

<sup>3</sup> Furtado (1968, 45) referred to Simonsen's work in the following terms: "The figures on sugar production in the colonial period, appearing in works by chroniclers, visitors, Portuguese and Dutch official reports, and books by both Brazilian and foreign students of the subject were, carefully scrutinized by Simonsen. The data taken as a basis for the calculations and estimates appearing in the text have all been taken from the work of this great researcher into the economic history of Brazil". For the original book in Portuguese, see Furtado (1959) 2007.

become a member of Academia Brasileira de Letras. He died in 1948, enjoying a very good reputation as industrialist, politician and intellectual, as his obituaries show.<sup>4</sup>

### 3. Between history and economics: an outline of R. Simonsen's economic thought

Roberto Simonsen's intellectual life was closely related to his career as an engineer and industrialist. His first texts date from the 1910s and early 1920s and have a particular character, differing from those published in the 1930s and 1940s. This difference could be expressed by contrasting two phases of Simonsen's economic thought, which are related to the historical vicissitudes Brazil was going through at the time: the first phase would be modernization and the second, national economic thought.

The term modernization has a particular meaning here, denoting the specific process of overcoming traditional structures that took place in Brazil and other peripheral countries. The advent of modernity in a broader sense has manifold implications and admits very diverse interpretations. In a historical-sociological sense, modernity means generally the passage from an agricultural world to an urban one, from a society based on a subsistence economy to one in which production is done in manufactures and industrial plants, from barter markets to monetized exchange.<sup>5</sup> Yet this process of transition from archaic structures to modern ones, which in many cases coincide with the overcoming of backwardness and the establishment of capitalism, may take different forms, depending on the economic and ideological conditions particular to each context, as Alexander Gerschenkron puts it.<sup>6</sup> Some interpreters have pointed to the limited character of the transition that took place in peripheral contexts, such as Brazil: its colonial past and its peripheral insertion in the capitalist world market, as a coffee-exporter, certainly limited the scope of Brazilian modernity, in the early 20th century. The idea of modernity acquires thus a quite ideological sense, meaning the transplantation of foreign models of economy and society, with little attention to the structural challenges facing peripheral societies.<sup>7</sup> Hence the concepts of modernity and modernization should be separated. According to Raymundo Faoro, *modernity* is the collective project, which involves the whole society, expanding and revitalizing the role of all social classes, whereas *modernization* is the project of an élite, which conducts society so as to privilege dominant groups, by means of imitating cultural and economic standards that are enjoyed by a small fraction of society.<sup>8</sup>

The beginning of Simonsen's professional and intellectual life is inserted in this broad project of modernization. As mentioned above, he graduated as a civil engineer from São Paulo Polytechnic School. Founded in 1894, this institution was one of the few Engineering Schools in Brazil at the beginning of the 20th century and had the purpose of producing and transmitting technical knowledge not only in the field of Engineering, but also in other branches of science that were considered to be important for the formation, in São Paulo, of a modern and progressive élite, capable of expanding the economic development that this State was experiencing as a consequence of coffee exports and of incipient industrialization. It is worth noting that the "model" institution for the São Paulo Polytechnic School was the Polytechnic Institute of Zurich, Switzerland.

The Chair named "Political Economy, Administrative Law and Statistics" at Simonsen's time as an Engineering student dealt mainly with questions related to the scientific organization of production, from the point of view of the capitalist. The lectures referred to topics such as: how to increase production by means of making processes more efficient, how to avoid riots promoted by workers, among others.<sup>9</sup> It was a universe of economic ideas related almost exclusively to the private company, more general and theoretical speculations were almost inexistent as part of the syllabus. Roberto Simonsen's texts from the 1910s and early 1930s, most of which are gathered in the book *À margem da profissão*<sup>10</sup>, reflected, least in part, the knowledge conveyed in the institution he had attended as a student.

These texts consisted mainly of company reports and speeches, in which Simonsen emphasized the importance of scientific administration and tried to show that workers and capitalists do not have necessarily opposed interests. In his words: "For a long time I have been absorbed by the problem of industrial organization – scientific organization,

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<sup>4</sup> Folha da Manhã, 26/05/1948.

<sup>5</sup> Giddens 1990, 1-54.

<sup>6</sup> Gerschenkron 1966, 22.

<sup>7</sup> Solé and Smith 1998, 14.

<sup>8</sup> Faoro 1992, 8.

<sup>9</sup> Program for the Fifth Chair of the Third Year of the course for civil engineers – 1913. In: Escola Politécnica, University of São Paulo, Historical Archive. Fonds: Escola Polytechnica (1892-1934). Box 19.

<sup>10</sup> The book *À margem da profissão* (1932) is a collection of writings by Simonsen, published in order to respond to accusations of corruption involving the construction works commissioned by the Brazilian federal government to Simonsen's company. See Simonsen 1932.

as North-Americans put it – which has hastily been adopted by more advanced countries, in all branches of activity, and which, in synthesis, aims at: maximal economy in production by producing with maximal efficiency”.<sup>11</sup> The concern for conciliating interests of capitalists and workers, in the name of efficient and stable production, was present in a 1919 company report written by Simonsen. He defended that industrialists understand the dissatisfaction of workers and provide fair payment “if they do not want to see production hindered by the attempt to solve this problem [of the fair remuneration of labor], mistakenly, by political means, when it could be solved, correctly, by economic means”<sup>12</sup>.

Another set of writings characteristic of this modernization phase is the sequence of speeches delivered during the Brazilian Trade Mission to England. The speeches delivered by Simonsen in Britain reflect that he thought in terms of the hegemony of the exporting sectors in Brazil: the goal of the visit to England was to increase trade, by means of improving efficiency, in sectors such as frozen meat, cotton, timber and minerals. In a speech dealing with metallurgy, delivered in 1919 in Swansea, Britain, Simonsen reinforced the type of insertion Brazil was supposed to have in the international division of labor, as a producer of primary goods. “We come from a country which is recognized for its various mineral riches. You have the experience and capital; we, the raw material and eagerness for progress.”<sup>13</sup>

In the 1920s some events had an important impact on Simonsen’s production as an intellectual. Facing severe financial difficulties in 1923-24, the Brazilian federal government tried to raise a £25 million loan abroad. However, Rothschild, the Brazilian creditor in London, would not give the loan without sending to Brazil a “money doctoring” mission in order to verify the real capacity of the country to refund the debt. This mission, led by Edwin Montagu, visited Brazil in 1924 and was the addressee of a letter written by Roberto Simonsen. In this document Simonsen intended to convince the British creditors that Brazil fulfilled the conditions necessary for receiving the amount of money needed by the government. Yet he argued that Brazilian economic solidity could not rely only on the monopolistic position the country held in the international coffee market. The economy should diversify into other sectors such as cotton and manufactures. He advocated a selective imports policy, privileging imports such as machines, iron, steel and coal. This policy suggestion had a twofold meaning: selecting imports was a means of saving foreign reserves in order to repay external debts such as the one being contracted in London, but the products selected were clearly industrial inputs, which points to another way of conceiving the Brazilian economy.

In 1928, at the inauguration of the Center for the Industries of São Paulo State, Simonsen delivered a speech which became famous as a defense of industrialization in Brazil. The text refuted the idea that Brazilian industry was ‘artificial’ – a label used in a derogatory sense, meaning that Brazilian industrial activities were dependent on imported inputs and therefore were not part of a “natural industry” were not in conformity with Brazil’s economic vocation. In order to counter this idea Simonsen evoked, among other ideas, the historical example of England. He argued that, if the concept of natural/artificial industry were valid, then England could not be considered an industrial nation, in the natural sense, as it imported 65 % of raw materials used as inputs, Brazil importing only 20%. “Industry in England had its great development with the monopoly of supply to the colonies it managed to create”.<sup>14</sup> No matter where the inputs came from, it was important that the industrial sector had a market in which to sell its products. Moreover, Simonsen justified his defense of industry with nationalist arguments: according to him, Brazil would not be given due political consideration in the international scene “as an independent nation” unless it had “an efficient industrial park”.<sup>15</sup>

Two general features can be identified in Simonsen’s texts from the end of the 1920s onwards. The first, already present in the 1928 speech, was the idea that the interests of industry were coincident with those of the nation as a whole. The second was the interpretation of Brazilian economic history from the point of view of this industrialist nationalism. Inspired by this interpretation Simonsen wrote his masterpiece *História econômica do Brasil* (1937), a comprehensive and detailed account of Brazilian economic history from the very beginnings up to Independence (1822). The book served as didactic material for the course of Brazilian economic history, given for the first time in

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<sup>11</sup> Simonsen, Roberto. 1918. “Pelo Trabalho Organizado – Resposta à saudação dos companheiros de trabalho, após a terminação da epidemia de gripe hespanhola, a 9 de dezembro de 1918”. In: Simonsen 1932, 17-21.

<sup>12</sup> Simonsen 1932, 49.

<sup>13</sup> Simonsen, Roberto. 1919 “Missão à Inglaterra – F) A Industria Metalurgica. Palavras pronunciadas em Swansea, no Cameron Hotel, em agradecimento á saudação de F. W. Gilbertson, Presidente da Bolsa de Metaes de Swansea, a 14 de Agosto de 1919”. In: Simonsen 1932, 85.

<sup>14</sup> Simonsen, Roberto. 1928. “Orientação industrial Brasileira”. In: Simonsen 1973, 57.

<sup>15</sup> Simonsen, Roberto. 1928. “Orientação industrial Brasileira”. In: Simonsen 1973, 55.

1936 by Simonsen himself, at the Free School for Sociology and Politics.<sup>16</sup>

In this historical investigation, Simonsen applied to Brazil the cyclical approach crafted by Portuguese historian João Lúcio de Azevedo.<sup>17</sup> This cyclical interpretation for the colonial economy of Brazil was coherent with Simonsen's defense of industry: the successive economic cycles of the Colony – brazilwood, sugar cane, gold mining – were the source of abundant, but very ephemeral wealth. In this scheme the economy fared well as long as the main export was demanded in international markets: when demand declined, the economy collapsed and the rapidly accumulated wealth was also quickly dilapidated. This idea implied that an economy based on the export of primary goods is by nature unstable and incapable of overcoming backwardness and poverty. The factor that could change this colonial, primary-exporting status was the introduction of manufactures and industrial plants.<sup>18</sup>

Even though he was a critic of Portuguese colonial policies as they exploited Brazil, Roberto Simonsen praised the “industrialist” policies implemented by the Marquis of Pombal. “Pombal decided to act vigorously with respect to the Portuguese economy, freeing it from English yoke and creating stable sources of wealth for Portugal”.<sup>19</sup> The central point was that manufacture and industry could bring wealth on a regular basis, overcoming backwardness and poverty and eliminating dependency on one single agricultural product. Apart from the 1937 book, Simonsen wrote other historical works, dealing with the development of coffee production in Brazil, the evolution of Brazilian industry and demographical movements of the country's population.<sup>20</sup>

Very schematically it could be said that the main topics around which Simonsen's economic thought gravitated in the 1930s and 1940s were protectionism and economic planning. His ideas on protectionism were influenced by Friedrich List, as well as by the Rumanian economist Mihail Manoilescu, the translation of whose book Simonsen sponsored on behalf of the Center for the Industries of São Paulo, having himself prefaced the volume.<sup>21</sup> In a lecture delivered in 1931 Simonsen recognized Friedrich List as an important source of inspiration and declared himself an affiliate of Manoilescu's protectionism. In the same lecture he used data collected by the Russian-American economist Wladimir Woytinsky as a means to prove the point that industry is in general more productive than primary sectors. As the most productive economic activity, industry should be made to prosper in backward economies, according to Manoilescu, so as to elevate these economies' national productivity.<sup>22</sup>

As a member of parliament Simonsen gave addresses, some of which were part of a debate on the ratification of a Trade Agreement, established in 1935 between Brazil and the United States. During this discussion he defended more protectionist tariffs and mentioned the concept of national economy, advocated by Adolph Wagner, as the most valid approach to economics at that moment. He resorted to historical digressions on the economic policies of England, France and especially the US in order to show that these countries adopted protection whenever it was necessary to safeguard their own national industries. Simonsen was overtly against the ratification of the Free Trade Agreement, as it would harm the interests of Brazilian industrialists, especially those from São Paulo, on behalf of whom he exercised his mandate.

Simonsen's is renowned as an economist for his contributions to the “controversy on economic planning” written in 1944-45: indeed, the controversy can be considered as a sort of synthesis of Simonsen's economic thought. His initial proposal was to centralize economic planning in Brazil, placing the Board for Commercial and Industrial Policy, of which he was a member, as the entity coordinating the planned economy. This proposal was strongly refuted by the liberal economist Eugênio Gudín, who associated planning with socialism and warned of the authoritarian danger it supposedly carried. Beyond discussions referring to technical issues and economic statistics, the distinguishing feature of Simonsen's contribution to the debate was the integration of history into economics, which gave his discourse conditions of possibility. He criticized Gudín's approach arguing that it presupposed a

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<sup>16</sup> Informs and Programs (1933-34). In: Escola Livre de Sociologia e Política, Center for Documentation. File: Roberto Simonsen.

<sup>17</sup> This approach relies on the idea that the economy is subjected to successive cycles based on the international sale of one “king product”: if the supply of the product is exhausted or it is not demanded anymore in external markets, the economy then stagnates. Portuguese historian João Lúcio de Azevedo used this framework to explain the cycles of the Portuguese economy: cycle of Indian spices; cycle of (African) gold; cycle of sugar and cycle of (Brazilian) gold and diamonds. See Azevedo (1928) 1978.

<sup>18</sup> For an analysis of Simonsen's historical perspective see Saes 2009.

<sup>19</sup> Simonsen 1937, 215 (v. 2).

<sup>20</sup> Simonsen's historical writings included: *Aspectos da história econômica do café* (1938), *Evolução industrial do Brasil* (1939) and *Economic resources and population shifts* (translated to English, 1940)

<sup>21</sup> For an account of Simonsen's protectionism in general, see Rodrigues 2005; for a study of the connections between Manoilescu in Rumania and the Brazilian context see Love 1996.

<sup>22</sup> For the connections between Woytinsky, Manoilescu and Simonsen, see Bruzzi Curi and Saes, 2012.

crystallization of economic laws, which were believed to be valid for all countries in the world.<sup>23</sup>

Gudin's central argument was that Brazil's economy operated in full employment, the problem being how to allocate the resources most productively: as agriculture was the most efficient sector, it should be the key activity of the economy. In such a scheme, a transfer of labor force from rural sectors to industrial ones would mean only reduction in overall productivity and labor shortage in agriculture. According to Simonsen, this view was incorrect: Brazil's position as an agrarian economy was not due to its natural inclination to it, as a tropical country, but to the specific historical path the country had followed. More specifically, the current backwardness was, up to a great extent, due to colonial policies applied by Portugal in colonial times and to the above-mentioned cyclical character of the colonial economy, which legated to Brazil nothing but short-lasting spurts of wealth-creation.<sup>24</sup> If the present backward position was the result of historical evolution – and not of an inescapable fate determined by universal laws governing the economy – it could be surmounted in the course of history, if other strategies of economic development were adopted. History could be changed and planning was the way to change it, as a means to promote integral industrialization.

From this sketch of Roberto Simonsen's economic ideas we can advance that his turn to national history as a way to address economic issues had much in common to the intellectual project of German Historical School (or GHS) of economics. The Historical School can be distinguished from classical and neoclassical traditions in that it refused to establish all-encompassing economic laws. In other words, while neoclassical thought provided a theory of present economic modernity, the GHS sought to provide an account of the evolution towards a modern economy, of the cultural and institutional implications of this transition, as well as of the challenges and strategies of economic policy involved in it. In that sense, Simonsen and the Historical School were both concerned with the problem of historical economic development.<sup>25</sup> In the following section, this affinity is further investigated.

#### 4. The German tradition and its presence in Simonsen's works

The term German tradition as used here includes the German Historical School but is not limited to this group of economists. The reason for this more comprehensive definition is that there were thinkers present in Simonsen's works, which historiography has not exactly described as members of the GHS, but whose intellectual and political agenda was more or less related to German historicism. Examples of these authors are: Friedrich List (1789-1846), who is considered to be one of the ideological forefathers of the GHS; Adolph Wagner (1835-1917), himself a member of the *Verein für Sozialpolitik*, who nevertheless was more a theorist than a historical economist; and Wagner's source of inspiration, Karl Rodbertus (1805-1875), a state socialist, whose theory dealt, among other issues, with crises of sub-consumption. Furthermore, the idea of a German tradition implies that the GHS was tributary of the 19th-century German intellectual environment, which possessed some distinguishing features that singled it out from other national contexts.

Since the 18th century there were chairs of "economics" in Germany, but the subjects taught were related to the sciences of the state (*Staatswissenschaften*), within the more general intellectual context of Cameralism. Cameralism or cameral sciences (*Kameralwissenschaften*) was, in very brief terms, a system of knowledge in which public administration and the general organization of the state were essential parts of economic thinking; the ultimate goal of Cameralism could be defined as the general satisfaction or general happiness of a nation.<sup>26</sup> The first chairs of Cameralism at German universities were created by king Frederick William I of Prussia (1713-1740). The Prussian monarchy under Frederick William I built up the Army, unified the private and public financial agencies of the realm and fostered economic development – textiles and other exports were promoted by means of what was termed by Perry Anderson "royal mercantilism".<sup>27</sup> The development of Cameralism was thus closely intertwined with the growth and centralization of the Prussian state, which shows that the German tradition of economics was closely related to national issues from its very beginning,

These chairs of Cameralism were part of the legal curriculum in Germany and a qualification in law was the natural beginning of a study in the field of economics until the 1920s, when a nondoctoral economic qualification was introduced. This institutional arrangement allowed for a certain continuity of the 18th-century tradition through the

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<sup>23</sup> Simonsen (1945) 2010, 154.

<sup>24</sup> Simonsen 1937, 78-80 (v. 1).

<sup>25</sup> Abelschauer 2004, 27.

<sup>26</sup> This definition is based on Johann Heinrich von Justi, one of the most prominent professors of Cameralism. See Cunha 2013.

<sup>27</sup> Anderson (1974) 2013, 245-246.

19th and early 20th centuries, even amidst the transformations that took place during especially at the beginning of the 1800s with the absorption of smithian ideas. However, although the teaching delivered underwent transformations over time, students still received a legal qualification not far apart from the universe of the *Staatswissenschaften*: the courses were supposed to prepare them not only for academic work but also for the eventual entry into civil service.<sup>28</sup> This university system persisted through the beginning of the 20th century and conceded great power to Gustav Schmoller, for example, who, as a very well-connected professor at the University of Berlin, could influence university appointments in Prussia, promoting those who were inclined to his historical and nationalist approach.<sup>29</sup>

For Schumpeter, the main distinguishing feature of “Historism” was the methodological creed that the economist, as a researcher, should be primarily an economic historian. The researcher should master the historical technique and investigate particular patterns and processes in their local and temporal details. The only kind of knowledge which could possibly be attained in the social sciences would slowly grow out of this sort of monographic research.<sup>30</sup> In spite of the historical approach, the GHS tended to refuse generalizations that are in the nature of philosophies of history. Schmoller, for example, would not reduce the historical process to one or two explanatory factors, such as did Marx and Comte, he rather attempted, in an ambitious (and impossible) endeavor, to study *all* facets of economic phenomena, including the psychological and social ones. Hence, the Schmollerian economist could be seen as a historically-minded sociologist. Schumpeter sees the origins of this historicist approach to economics as related to the German cultural past: the high level of historiography, the respect for the historical fact in many fields of knowledge, the low level of theoretical economics and the importance attributed to the state.<sup>31</sup>

The very usage of the adjective “historical” to characterize the school can be seen as an attempt by Wilhelm Roscher to associate the economic research program he was founding in 1843 to the prestigious German School of Jurisprudence. “This [historical] method intends to achieve for *Staatswirtschaft* (state economics) what the Savigny-Eichhorn method achieved for Jurisprudence”.<sup>32</sup> Friedrich Carl von Savigny and Karl Friedrich Eichhorn were both jurists and historians who had founded in 1815, together with Johann Friedrich Ludwig Göschen, the *Zeitschrift für geschichtliche Rechtswissenschaft* (*Journal for historical law-science*), which marked the start of the German Historical School of Jurisprudence. This School studied law adopting not only a historical perspective, but a nationalist one. This nationalist point of view may be associated with German Romanticism, as well as with the overall nationalist environment following Prussia’s territorial expansion after the end of the Napoleonic occupation.

The origins of German Romanticism date back to the 18th century, but its effects lasted until the 19th, influencing both law and economic studies. One feature of Romanticism as an artistic movement was the creation of concepts such as National Soul, National Character and National Fate. Regardless of the emotional connotation acquired by these concepts, especially in literature, the romanticist National Soul has become, in Schumpeter’s terms, a “catch-all” for many important facts. The German national question acquired a more critical importance in the course of the 19th century, as Prussia became an outspoken natural political leader, capable of deepening the relatively fragile integration of the German states.

As a result of political negotiations at the Congress of Vienna (1815) the Rhineland passed under the control of Prussia, to create a barrier for possible French ambitions in the future. This arrangement unified rural and backward Prussia with the most advanced German region, in terms of urbanization and trade dynamism. The Prussian Hohenzollern state, however, had achieved a higher level of national integration in the decades before, in a process that had gained special momentum during the reign of Frederick the Great (1740-86). The enlightened reforms promoted by Frederick II had modernized the judiciary, expanded public education and fomented agriculture as well as manufacture. The annexation of the Rhineland and the atmosphere of national enthusiasm following the end of the Napoleonic era led to ideas that pointed to a unified Germany: among them was the proposal for codifying German law under Prussian influence. In the course of this legal debate an argument gained attention: the legal institutions of Germany were seen to be part of its individual life as a nation and an expression of the whole of its historically determined situation. The Historical School of Jurisprudence, which emerged in this context, emphasized the

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<sup>28</sup> Tribe 2009, 217-218.

<sup>29</sup> Caldwell 2001, 653.

<sup>30</sup> Schumpeter 1954, 807-808.

<sup>31</sup> Schumpeter 1954, 811-812.

<sup>32</sup> Roscher 1843, iv. For a discussion on the meaning of the “historical” character of both the GHS and the Historical School of Jurisprudence, see Pearson 1999.



necessity to study law from the standpoint of national bearings.<sup>33</sup>

The romanticist legacy and the important role played by the Historical School of Jurisprudence in understanding and codifying German law from a nationalist point of view helped to bring the nationalist historical perspective into the field of economics at the beginning of the nineteenth century. Moreover, the institutional articulation between law and economics in German universities dating back from the 17th and 18th centuries facilitated the transmission of ideas from legal studies on to economic ones. Hence adhering to this historical and nationalist approach in 19th century Germany meant an affiliation to a way of thinking that involved not only economics, but was embedded in a broad political, social and cultural context.

Regarding the German Historical School more specifically, historiography has divided this current of thought in three generations. The first one included Wilhelm Roscher (1817-94), Bruno Hildebrandt (1812-78) and Karl Knies (1821-98). It is agreed that the initial reference text of the School are Roscher's *Lectures on Staatswirtschaft – following the historical method* (1843).<sup>34</sup> The second generation is associated with the name of Gustav Schmoller (1838-1917), regarded as the most influential economist of Germany at the time; it also included names such as Lujo Brentano (1844-1931), Karl Bücher (1847-1930) and to a certain extent, Adolph Wagner (1835-1917). The third or “youngest” generation was led by Werner Sombart (1863-1941) and the name of Max Weber (1864-1920) may also be seen as related to it.<sup>35</sup>

The institutional and political agenda of the German Historical School was closely associated with the *Verein für Sozialpolitik* (Society for Social Policy), founded at a conference in Eisenach in 1873. This conference was preceded by a meeting held in 1872 concerning the *soziale Frage* (the “social question”), in the same city of Eisenach, where the Social Democratic Party had been founded three years before. The founders of the *Verein* were a group dominated by university professors who were against both the Manchester School and Marxist revolutionary ideas. These reformist thinkers were derogatorily named *Kathedersozialisten* (socialists of the chair). It is interesting to note that the *Verein* was founded at a moment of strong liberal influence in Germany, both on economic policy and on economic ideas. The German free-trade movement, strongly influenced by the ideas of Smith, Ricardo and Bastiat, had its institutional expression in the Congress of German Economists, founded in 1858. The relationship between these two associations, the Congress and the *Verein*, was one of cooperation, in spite of eventual animosities and disagreements.<sup>36</sup>

Not until 1879 did the protectionist position, which associated higher tariffs with the necessities of German industry, become a predominant current of thought within the *Verein*. Bismarck's shift towards a protective trade policy in the same year was the background for the defense of high tariffs by Schmoller in the 1879 meeting of the *Verein*. His argument was that protective policies were not a question of principle, but a necessity of nations: in contemporary Germany, with an industry recovering from the 1870s crisis, protecting national industry was the right policy to pursue. Some decades later Roberto Simonsen would frame his argument against the Free Trade Treaty between Brazil and the US in a very similar way. The period after 1879 in the *Verein* was marked by the predominant leadership of Prussian economists such as Schmoller and Wagner, reflecting the general illiberal climate: protectionist policies in trade coexisted with a stronger and more centralized unified German state, recognizable in the anti-socialist laws and in the beginnings of a state-sponsored welfare system designed by Bismarck.

Gustav Schmoller, chairman of the *Verein* between 1890 and 1917, was certainly the leading economist in Germany at that time. He had studied *Staatswissenschaften* at the University of Tübingen (1857-61), having taught at Halle (1864-72), Strasbourg (1872-82) and finally Berlin (1882-1913), where he held a powerful and influential position. Perhaps because of the famous controversy with Carl Menger (*Methodenstreit*), historiography has tended to take Schmoller as the model for an economist following the methodological principles of the Historical School. In fact, he wrote a series of monographs concerning historical themes: the history of small businesses in 19th century Germany (1870); the weavers' guild of Strasbourg from the XIII to the XVII centuries (1879); economic and administrative history of Prussia in the 17th and 18th centuries (1898); and the history of German urban centers

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<sup>33</sup> Schumpeter 1954, 423. For an account of these events that marked the development of the Prussian state see Anderson (1974) 2013, 267-268 and Kemp (1969) 1985, 88-90.

<sup>34</sup> The German title was *Grundriss zu: Vorlesungen über die Staatswirtschaft – nach geschichtlicher Methode*.

<sup>35</sup> Pearson 2008.

<sup>36</sup> For a detailed account of the origins and institutional vicissitudes concerned with the *Verein*, see Hagemann 2001. Following Hagemann, it is noteworthy that professors never the majority of the members of the *Verein*, but they prevailed in the “Standing Committee” where most of the relevant, “scientific” work, was done.

(1922). His most known work, nevertheless, was the more theoretical *Grundriss der allgemeinen Volkswirtschaftslehre* (*Outline of general economics*, v.1 1900 and v. 2 1904), which eventually circulated in Brazil in its French version.

In the introduction to his book Schmoller (1900) defined the economy (*Volkswirtschaft*) as: “the system of the economic-social processes and events of the nation; a system thought of and effective as a totality, a system governed by unitary national spirit and unitary material reasons.”<sup>37</sup> The German romanticist National Soul resonates here again: the recently achieved economic unification, after centuries of fragmentation, was certainly a background for this concept of economy that concretizes itself in the nation. Schmoller developed this definition from a comparison between the Greek origins of the word “economy” (from *oikos*, meaning house) and the German word *Wirt*, which is a noun for “house man”, host, proprietor of a business.<sup>38</sup> From *Wirt*, derives *Wirtschaft*, a very general idea meaning not only (macro) economic activity, but also the activity of a small business such as a bar or a farm. In fact the word “economy” in the original Greek sense would best be translated in German as *Hauswirtschaft* (activity of the house). The German equivalent to political economy, a discipline dealing with social phenomena in a broader sense, would be *Volkswirtschaftslehre*: *Volk* translates “people” or “nation” and *Lehre* is “lore” or “doctrine”. As Schmoller’s definition implies, the economy is a national system, the culmination of a historical process which goes from the primitive and simple *Hauswirtschaft* to the complex and articulated *Volkswirtschaft*. This is to show that the question of national economic development is intrinsic to the definition of economics presented by Schmoller in his work. This book eventually became one of the points of contact between Roberto Simonsen and German economic thought.

Simonsen mentioned Gustav Schmoller three times in his historical book from 1937: *História econômica do Brasil*. The first one was a mere allusion in the introductory chapter, in which Simonsen tried to delimit the field of economic history. He urged Brazilians to pay more attention to the discipline, as its study could bring real advantages to the country, but observed that even abroad historians and economists had but recently been devoted to economic history. “In the past century, Cunningham, in England, Schmoller and Knapp, in Germany, and Fustel de Coulanges, in France, already pointed to the existing interrelation between economic history and political history”.<sup>39</sup>

The second reference to Schmoller is much more embedded in the argument developed in the section of the book in which it appeared. In the fourth chapter of his book, “Colonial policies”, Simonsen discussed the initial strategies used by the Portuguese in order to settle definitively and conquest the newly discovered South American lands, thitherto unexplored by Europeans. The administrative policy implemented in the Colony was based on hereditary captaincies: huge extensions of land awarded to private donees, who were Portuguese noblemen in charge of colonizing the regions and administrating them on behalf of the monarchy. The debate Simonsen entered in his description of the captaincies was about whether they were part of a feudal regime or not. Simonsen clearly advocated the idea that, although it involved the awarding of a sort of gift/fief to noblemen by the crown, the captaincies regime was economically *not* feudal at all. Here he used Schmoller to characterize the feudal economy: “Exchanges were carried out through a pre-established division of occupations. Hence Schmoller’s statement that the division of labor in the Middle Ages was a professional and social one.”<sup>40</sup> Simonsen opposed this medieval logic to the one underlying the captaincies regime: according to him, all Portuguese men coming to the new land did that for profit purposes; they were moved by the willingness to augment their wealth and improve their economic standards. Furthermore, Simonsen compared the awarding of captaincies to public subside policies, as both practices attempt to foster enterprise, in a capitalistic sense.<sup>41</sup>

Simonsen did not quote the source where he found Schmoller’s statement, but evidence points to the part of the *Grundriss* (or *Principes*, in French) dedicated to the division of labor – Simonsen probably had access to the French translation of Schmoller’s most popular work. The *Grundriss* had a good reception in the German-speaking world, as it received a new, revised edition in 1923. It was then translated to French and first published in Paris in 1905; in 1908, Schmoller could boast that 6000 exemplars of his work were circulating around the world through the French edition. In a certain way, he was right: French was a world language at the time and the inexistence of an English translation was not a serious problem for the diffusion his thinking until the 1930s, even in the aglophone world. Only after World War II did American universities refrain from demanding fluency in a foreign language as requirement for

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<sup>37</sup> Schmoller 1900, 6.

<sup>38</sup> Schmoller 1900, 6.

<sup>39</sup> Simonsen 1937, 38 (v. 1).

<sup>40</sup> Simonsen 1937, 125 (v. 1).

<sup>41</sup> Simonsen 1937, 126 (v. 1).

doctoral qualification.<sup>42</sup>

It is worth noting that the French publishers of Schmoller's book, Giard & Brière, played an important role in the diffusion of German economic thought in Brazil: not only Schmoller's, but Rodbertus' and Wagner's books to which Roberto Simonsen eventually resorted were published by Giard & Brière. The importance of Giard & Brière was not restricted to German economic thought: they also contributed for the diffusion of Marxist ideas influencing Brazilian socialist thinkers. Indeed, their catalogue included an extensive list of titles in the fields of political economy, socialism and (private and public) law.<sup>43</sup>

The second book of Schmoller's *Grundriss* was dedicated to: "The social constitution of the national economy. Its origins, its organs and its current situation".<sup>44</sup> Chapter 4 of this book bears the title: "The economic and social division of labor". At the beginning of the chapter (section 113)<sup>45</sup>, Schmoller defined the concept of division of labor and explained that he would divide the general topic in themes and each theme would be historically treated. The three themes were: first, familiar division of labor; second, professional and social division of labor; and third, the separation of industry from the familiar and agricultural economy.<sup>46</sup>

When presenting the second general theme, Schmoller made a statement that reads similarly to Simonsen's: "This theme is related to the separation of superior and inferior labor, of intellectual and mechanical labor. It is this part of the division of labor that creates the separation between aristocratic, ruling classes on one side and serving, ruled classes on the other. I call this *social and professional* division of labor." (Schmoller's italics).<sup>47</sup> It was part of Schmoller's method to investigate the origins of economic phenomena, their previous forms and their evolution towards their current state: the division of labor was no exception. This schematic explanation for the origin of this phenomenon is also an evolutionary one: the familiar division of labor corresponds to primitive times, the social and professional one is associated to the Middle Ages and the economic or industrial division of labor corresponds to modern times. Simonsen used Schmoller's argument in order to characterize the feudal stage of the division of labor which, in his opinion, was alien to the logic of Brazilian colonial economy.

The other reference made by Simonsen to Schmoller, also related to labor, was in the sixth chapter, named "Servile labor force in the colonial time", where Simonsen dealt with slavery in general and the way it developed in Brazil, first recruiting workers among native Indians and then being fed by the African traffic. At the end of the chapter Simonsen sketched a comparison between labor in Europe and in Brazil: the point he intended to make is that, even though in Europe there was a transition from serfdom to free labor, the conditions of workers were not so much better than those of South American slaves, because this process of change was rather *slow*. Furthermore, Simonsen argued, even where the transition was accomplished in Europe, working conditions in early capitalism were all but healthy.<sup>48</sup>

In order to reinforce this argument, Simonsen pointed out: "Schmoller is totally right when he says that 'working freedom *starts slowly* in 1500 and triumphs fully only in the period 1789-1870'" (Simonsen's italics). In spite of the quotation marks, Simonsen once more omitted the source of this sentence. Again there is evidence to believe that this idea was taken from the *Grundriss*, in a place of the book not far from the previous one, which indicates that Simonsen concentrated his appropriation of Schmoller's *Principes* in the part relating to the division of labor in the context of the social constitution of the national economy (Book 2, chapter 4). The 117th section of the *Grundriss* was named "The origin of the new status of free workers" and that is where Schmoller presented the argument referred to by Simonsen, with the same chronological marks.

Schmoller's idea was that the emergence of free labor, as a social reality and as a contract, was no natural process: it was a long process, which needed institutional reforms and changes in mentality in order to take place. He started the section by reminding that one who imagines that the principle of freedom could possibly have surmounted

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<sup>42</sup> Backhaus 1989.

<sup>43</sup> "Extrait du catalogue général des oeuvres du fonds: Bibliothèques, Collections et Revues", in Schmoller 1905. For the importance of publishers for the diffusion of Marxism in Brazil, see Pericás 2010.

<sup>44</sup> Schmoller 1900, x; Schmoller 1905, 597. Schmoller 1900 refers to the original German edition and Schmoller 1905 refers to the French translation. The translations to English were freely done by the author.

<sup>45</sup> Schmoller's *Grundriss* was divided into 4 Books and into 276 sections, which are numbered uninterruptedly from the beginning of the first Book to the fourth.

<sup>46</sup> Schmoller 1900, 345-349; Schmoller 1905, 250-260.

<sup>47</sup> Schmoller 1900, 349; Schmoller 1905, 259.

<sup>48</sup> Simonsen 1937, 212-214 (v. 1)

class conflicts, by ascribing free initiative to each individual, cannot understand modern labor relations.<sup>49</sup> Schmoller continued to state that if one envisages things historically, “he would understand that, although free wage labor was in principle a great progress, only slowly and after many reforms could it become a satisfactory institution”.<sup>50</sup> Schmoller then developed this argument, explaining that population growth, associated to the division of rural tenures (subinfeudation) and to the incapacity of older economic institutions such as guilds to absorb the increasing supply of labor forced workers to contracts based on wages. From 1500 to 1700, he further argued, there remained the possibility for unoccupied laborers to make a living in mercenary armies, in the State bureaucracy and even in domestic manufactures.

Schmoller then concluded the explanation with the most recent phase, in which the wage contract assured its dominion over labor relations. “When industries prospered and produced for exports, population grew rapidly, possibilities of enrichment seemed boundless and, from 1789 to 1870 the old remaining limitations, regarding the freedom of mobility and of contracting marriage were hastily removed. All layers of society increased quickly and he who could not establish himself as farmer or master craftsman, artist or civil servant, merchant or shopkeeper – to him, the only choice was to become a wage laborer”.<sup>51</sup> As Simonsen reproduced some years later in Brazil, Schmoller saw 1789-1870 as a key period, in which free labor relations, based on the wage contract, finally became dominant in the European economy, not without overcoming long-lasting obstacles.

The other text in which there is evidence of Simonsen’s contact with the German tradition is contemporary to the book about Brazilian economic history. It was named *Aspects of national political economy* and it was written as an address to the Federal Chamber of Deputies, in the context of the debates around the ratification of the Brazil-US Trade Agreement of 1935. This text is present in the Transcripts of the Federal Chamber of Deputies and it was published in Portuguese and in English, probably as a way to make the arguments contrary to the Treaty available to North-American authorities. It is important to remind that Roberto Simonsen was very favorable to Brazilian-American relations, having regarded the USA as an example to be followed in many aspects, including the elevation of tariffs in order to protect industry. So the translation can be seen as an attempt to show that Simonsen was in no way anti-American, but only against the kind of free trade policy implied in the Agreement, which he deemed harmful to Brazil.<sup>52</sup>

In an introductory section of his address, named “National Economy” Simonsen indicated the current of economic thought with which his arguments were attuned. He started by strongly criticizing the supposed interdependence between political liberalism and free trade theories. Following Simonsen’s reasoning, the free trade idea meant the predominance of the strongest and best organized in economic terms, whereas political liberalism implied equality of political rights for individuals and respect for the political rights of the nation itself. In these terms, political freedom is rather incoherent with liberalism in trade. Simonsen acknowledged the merits of Adam Smith, but attacked his followers for worshipping classic liberalism and overlooking the disturbances that free trade could bring to economic activities carried out domestically.

He then described the kind of thought which he favored, referring to “socialistic” teachers whose ideas were more “in accord with realities” than those defended by liberal thinkers. Rodbertus was praised as the one who had placed the smithian conception of division of labor in its proper terms, “in an endeavor to emphasize its social aspect, the organic basis of States, their process of historical formation and the preponderant part which was reserved to them in the exercise of social rights”.<sup>53</sup> The next author mentioned was Friedrich List and “those of his school”, who had associated their concept of “national economy” with the very existence of nations, distinct entities, resulting each from a determined process of historical formation.<sup>54</sup>

Simonsen went on to point out that the evolution of economic studies had demonstrated that division of labor operates socially: the greater the division of labor, the more civilized a nation is. The result of this evolution was that economists understood the importance of “national economics”, which had the object of “satisfying the necessities of countries, of the social groups and of the individuals who compose them”. Simonsen concluded this doctrinal introduction by praising Adolph Wagner as the author who first and best established the concepts of national

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<sup>49</sup> Schmoller 1900, 365; Schmoller 1905, 294.

<sup>50</sup> Schmoller 1900, 365; Schmoller 1905, 295.

<sup>51</sup> Schmoller 1900, 366; Schmoller 1905, 297.

<sup>52</sup> Lima, 2013.

<sup>53</sup> Simonsen 1935, 8.

<sup>54</sup> Simonsen 1935, 9.

economics, national capital and national income. According to Simonsen, Wagner's theory was universally accepted.<sup>55</sup>

Simonsen reputed three German authors – List, Rodbertus and Wagner – as representatives the most up-to-date and realistic current of economic thought. As the references were made during a speech, they had the purpose of giving intellectual legitimacy to the arguments presented: in that case, they should corroborate the idea that Brazil should *not* ratify the Free Trade Treaty with the US. Indeed, Simonsen's protectionist arguments and proposals in 1935 were quite attuned with what List, Wagner and Rodbertus had written some years before.

Friedrich List (1789-1846) was famous for his *National System of Political Economy* (1841) and Simonsen had evoked his authority in some other opportunities, such as the foundation of the Free School for Sociology and Politics, when he advanced the argument that List was responsible for taking political economy beyond its academic boundaries, making it a more concrete and realistic discipline through the application of the comparative method in economic history.<sup>56</sup> The key argument for which List became known was the metaphor of the infant industry, which should be protected by high tariffs in backward countries until it reached the degree of development reached by the most advanced nations. For List, free trade would only be acceptable in a situation where the countries are at the same level of industrial development. In a speech supposed to avoid the ratification of a Free Trade Treaty it certainly made sense for Simonsen to evoke the authority of Friedrich List. Scholarship has demonstrated that List was an important influence not only on Simonsen but on Brazilian debates concerning protectionism and tariffs since the end of the nineteenth century, even though industrialists tended to ignore an important facet of List's thought – his pronounced skepticism towards tropical industrializations.<sup>57</sup>

Karl Rodbertus and Adolph Wagner are not as known as Schmoller and List, especially in what concerns the diffusion of their ideas in Brazil, but the reference to them was quite coherent with Simonsen's ideas. Johann Rodbertus (1805-1875) studied law at Göttingen and Berlin and philosophy at Heidelberg, having served from 1827 to 1832 in the Prussian judiciary. In 1835 he settled a purchased property in Jaetzow, western Pomerania. His political involvement was restricted to the 1848 revolutions in Prussia: he eventually became the Prussian Minister of Education in the same year, but for a short time – when the constitutionalist movement waned, he retired to private life, but kept correspondence to political leaders such as Ferdinand Lassalle. Rodbertus' political position was a "state socialism" that combined monarchy, nationalism and capitalism, in the spirit of the expanding Prussian state and later in harmony with bismarckian welfare policies. He believed in a strong, monarchic state as the agent capable of securing economic gains to workers by legal determinations, or else they would endure subsistence conditions. He was not a central character of the German Historical School, such as Schmoller, but he did produce historical studies, dealing with the economic bases of society in the Roman Republic and Empire. Moreover, his agenda of social reform and his defense of state institutions as a way of promoting national economic development were certainly embedded in the broader German tradition mentioned above.<sup>58</sup>

Rodbertus' relevant theoretical contributions were related to his ideas on poverty and economic cycles, his main policy recommendations being the elimination of poverty and of sub-consumption crises, by means of income redistribution and price regulation, within the framework of a strong, interventionist state.<sup>59</sup> Although Simonsen did not quote the source for the reference made to Rodbertus, investigation leads to the conclusion that he most likely consulted the French translation of Rodbertus' book *Das Kapital*, which had a complex editorial story. In 1850-51 Rodbertus published his *Sociale Briefe an von Kirchmann (Social Letters to von Kirchmann)*, a book which was translated to English as *Overproduction and crises* (1898). The fourth letter to Kirchmann was then re-published by Adolph Wagner and Teophil Kozak in 1899, in Berlin, as a separate edition named *Das Kapital*. This volume was in turn translated to French with the title of *Le Capital* (1904). This booklet eventually circulated in São Paulo, Brazil, as it can be verified in university libraries.

The main argument of *Das Kapital* was that economic crises (*Handelskrisen*) were caused by disruptions inherent to the free market economy and not, as according to Kirchmann, by the avarice of capitalists, who would not

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<sup>55</sup> Simonsen 1936, 9.

<sup>56</sup> Simonsen 1933, 20.

<sup>57</sup> See Rodrigues 2005; Bielschowsky 2000; Luz 1975. For a recent account of the reception and adaptation of List's ideas in Latin America, emphasizing the selective appropriation of his thought by industrialists, see Boianovsky 2013.

<sup>58</sup> Cole 1957, 28-32. Cole (1957, 31-32) refers to a debate on whether Marx and Engels were influenced by Rodbertus or not: indeed, Engels refused his influence, because he envisaged an egalitarian or socialist society constructed from above, and not as a result of class struggle.

<sup>59</sup> Schumpeter 1954, 506-507.

share the output with laborer equally.<sup>60</sup> Rodbertus' idea was that the proportion of total income corresponding to wages tended fall over time, while productivity could rise with virtually no limits. The cause of this imbalance was the very fact that, if the free market principle prevailed in labor markets, capitalists would tend to pay the lowest wages possible, or subsistence wages. This disproportion between productivity gains and the share of wages in total output led to crises of sub-consumption. Rodbertus was in favor of income redistribution, via state regulations, as way to counter this disruptive tendency. In his parliamentary speech, Simonsen referred to Rodbertus as an economist who understood well the importance of the state: this was in accordance with the ideas exposed by Rodbertus in *Le Capital*, which was probably his only work accessible to Simonsen at the time. Furthermore, the idea of tackling economic problems by means of state regulation rather than through free market was the very core of Simonsen's proposal as an alternative for the Free Trade Agreement in 1935. He defended the creation of a centralized "National Institute of Exportation", which would organize Brazil's external trade, not only through tariffs, but also by fomenting production and regulating the usage of foreign currency.<sup>61</sup>

According to Schumpeter, Rodbertus' ideas were rediscovered and brought to the center of economic debate in Germany as Adolph Wagner republished his *Das Kapital* in 1899.<sup>62</sup> Connections such as this suggest that Simonsen was attuned not only with authors individually, but with a cluster of economic ideas that was termed here German tradition: not only did he praise Wagner's theory as the apex of national economics, but he also cited Rodbertus, an author who had been studied by Wagner.

Adolph Wagner (1835-1917) received his doctorate degree in economics from Göttingen University and started his career at the University of Dorpat (Livonia), a former Prussian city which is currently called Tartu and belongs to Estonia. In the 1860, with the perspective of German unification, Wagner returned to Prussia itself: after a brief period at the University of Freiburg im Breisgau as holder of the Chair of Cameralistic Science, he moved in 1870, securing a professorship for *Staatswissenschaften* at the prestigious University of Berlin. In the capital of the newly founded German *Reich* he joined the *Verein für Sozialpolitik*. Although he recognized himself as a member of the Historical School, as he stated in his review of Marshall's *Principles*, Wagner was more inclined towards theorization than, for example, Gustav Schmoller. In this review of Marshall, he criticized the way German economists tended to be too dismissive of English political economy.<sup>63</sup>

In his doctrinal introduction, Simonsen mentioned the *Fundamentals of Political Economy*, or *Grundlegungen der Politischen Ökonomie*, published for the first time in 1876, the most important and popular book by Adolph Wagner. This book received a French translation in 1909, as *Les Fondements de l'économie politique*, which also circulated in Brazil and was probably accessible to Simonsen. The title of the book was the only precise information given by Simonsen: he gave no further clue of the specific arguments that interested him in this comprehensive work. Nevertheless, from his speech and from other works such as *História econômica do Brasil* it is possible to state that at least two aspects of Wagner's *Grundlegungen* were appropriated by Simonsen: the theory of trade and the definition of national economy.

Wagner's considerations on international trade were moderate, in a sense that he did not intend to deconstruct completely the liberal arguments as proposed by English economists. However, he tried to qualify the idea that free trade necessarily benefits all parties involved; for him there was no absolute justification for liberalism, only relative ones. He resorted to history to argue that the development of one national economy could hinder the development of others, if they were commercially integrated: the example was post-bellum United States, which was changing the world economic scenario. Another factor which could diminish possible benefits from free trade was uncertainty: in this case, the historical example was the "cotton famine" that affected British industry during the shortage of input caused by the American Civil War. Wagner further stated that there were two points of view which should be taken into account when one deals with issues such as trade and questions relating to labor, industry and agriculture: the national and the cosmopolitan. "Physiocratic-smithian economics tends too much to a cosmopolitan conception, whereas mercantilist-protectionist economics sometimes exaggerates the national point of view. Yet in principle and ultimately the latter is most correct".<sup>64</sup> It is needless to say that, in order to argue against free trade, such a theoretical background was really useful to Simonsen.

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<sup>60</sup> Rodbertus 1899, 38-39.

<sup>61</sup> Simonsen 1935, 20-24.

<sup>62</sup> Schumpeter 1954, 507.

<sup>63</sup> Wagner 1891.

<sup>64</sup> Wagner 1909, 36-39.

As for the definition of national economy, the one presented by Wagner and praised by Simonsen as the “best” available was quite similar to Schmoller’s. Wagner proposed a historic-sociological typology for the evolution of economies, according to which all human communities went through the following stages: race, *gens*, tribe and finally *Volk* (the French edition kept the German word for people/nation). This national economy (*Volkswirtschaft*) was conceived not as a “mechanical juxtaposition of individual economies”, but as an organic combination whose existence could be guaranteed by the state or by economic rules established by a sort of state, as in the German *Zollverein*.<sup>65</sup> This typology of development is clearly related to the more general German context of the 19th century, in which regional fragmentation was an obstacle to be surmounted and economic development was a corollary of national unification.

The idea that it is necessary to build the cultural and social foundations of the nation in order to foster economic development underlies not only the parliamentary address where Simonsen referred to Wagner, but most of his economic thought from the late 1920s onwards. At the very beginning of his *Economic history*, in the part corresponding to the inaugural lecture delivered on 8 April 1936, he stated that the aim of the book was to contribute for the construction of a national conscience. Peoples in the vanguard of civilization, argued Simonsen, were those who had liberated themselves from disorganization – and the first manifestation of the strength of these peoples was the establishment of a national conscience of their needs and aspirations.<sup>66</sup>

## 5. Final remarks: doing history as a way of doing economics

In this article we examined a complex intercourse of ideas and influences. Having started his career with points of view related to limited modernization and the expansion of the commodity-exporting economy, Roberto Simonsen gradually shifted towards a more nationalist perspective, according to which Brazilian backwardness should be surmounted by state-sponsored industrial development. He became a founding father of Brazilian economic heterodoxy and a symbol of the struggle for Brazilian industrialization. This Brazilian economist and economic historian was in contact with the ideas of German thinkers such as List, Schmoller, Rodbertus and Wagner. The mere presence of references to these authors in Simonsen’s works would suffice to prove one point: there was a diffusion of German economic ideas in early 20th-century Brazil, by means of the French translations of the works of these authors. But why this tradition? Why the German *Historical School*?

The question is challenging, but some ideas developed in the article may help to answer it. There is an important affinity between Simonsen’s research agenda and that of the in general GHS and of Schmoller in particular. They both produced historical monographs as way to address economic issues: Schmoller wrote, among other topics, about small businesses in Germany, about the guilds of Strasbourg in medieval times, while Simonsen studied Brazilian economic history in general and the particular developments of both the coffee economy and the industrial sector. Moreover, the historical monographs informed an economic discourse that put the national economy (*Volkswirtschaft*) in the center of the stage. In this point, Adolph Wagner was also an important reference.

For Simonsen – following Schmoller and Wagner – the national economy was necessarily a historical product and the culmination of a logical process. Primitive societies, based on domestic activities (*Hauswirtschaft*) tend to become gradually more complex until they reach the status of national articulation. This evolutionary process is not natural, it needs the state as a regulator and as promoter of economic activity. Here Rodbertus’ interventionist policy suggestions come to the fore, although Simonsen tended to reject policies specifically in favor of the working class. National development is the final goal for the economics of both Simonsen and the German economists mentioned here. To study national development as a particular phenomenon of each country meant for them studying history, rather than formulating more abstract theories.

Thus, the presence of German ideas in Simonsen’s economic works is explained by this methodological inclination towards history, which reflects a common project of national development. For List, Schmoller and Wagner it was necessary to understand the historical specificities of German development, in order to adopt the right policies that would make Germany catch up with Britain. The fact that Germany was a fragmented and relatively backward region until the end of the 19th century merged economic progress and national unification into the one goal of developing a strong national economy. For Simonsen it was fundamental to show that the Brazilian economy was a historical construction: if it were not, there could be no possibility for a discourse in favor of overcoming the country’s “natural” vocation of exporting commodities. Planned industrialization was for him the way to develop this

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<sup>65</sup> Wagner 1909, 20. As for the French word *gens*, it roughly means “group of people”.

<sup>66</sup> Simonsen 1937, 53-54 (v. 1).

national economy, but this was a possible project because there was no economic law acting against it – the historical opportunity existed and it should be seized.

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