

On the transmission of Keynes' and Keynesian ideas in Brazil through Eugênio Gudin's *Principles of Monetary Economics*

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ABSTRACT

In the mid-twentieth century, Gudin was the main forerunner of the professionalisation of economics in Brazil. His book *Princípios de Economia Monetária (Principles of Monetary Economics)* was the first textbook in Portuguese published for a Brazilian audience interested in economics. As the book was written during the period of the Keynesian revolution, we show how he kept up with the then-modern debate around Keynes' ideas and continually incorporated Keynesian concepts into the successive editions of his book. However, as Gudin was a staunch defender of liberalism and the free market, his presentation of Keynes' and Keynesian ideas was mainly critical.

Keywords: Eugênio Gudin; Keynes; Keynesian economics; transmission of economic thought

JEL Codes: A11, B22, B31

RESUMO

Em meados do século XX, Gudin foi o principal precursor da profissionalização da economia no Brasil. Seu livro, *Princípios de Economia Monetária*, foi o primeiro livro-texto em português publicado para a audiência brasileira interessada em economia. Dado que o livro foi escrito durante o período da revolução keynesiana, mostramos como ele se manteve atualizado ao então moderno debate sobre as ideias de Keynes, continuamente incorporando conceitos keynesianos nas sucessivas edições de seu livro. Entretanto, como Gudin era um ferrenho defensor do liberalismo e do livre mercado, sua apresentação das ideias keynesianas e de Keynes foi predominantemente crítica.

Palavras-chave: Eugênio Gudin; Keynes; Economia keynesiana; transmissão de pensamento econômico

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1. Introduction

According to Luiz Simões Lopes (1979, vi), the first president of the Getúlio Vargas Foundation (Fundação Getúlio Vargas, FGV), a Brazilian research and education institution, Eugênio Gudin was so important to the economics profession in Brazil that “the history of methodological, didactical and political applications of economics in Brazil is definitely marked by two periods: before and after Gudin”. Gudin was the driving force behind the establishment of the first Brazilian undergraduate-level course in economics at the University of Brazil.¹ Additionally, he both created and edited (for several years) the first Brazilian economics journal, *Revista Brasileira de Economia*. He also wrote widely read columns in important Brazilian newspapers for more than 60 years; conducted research activities at the Brazilian Institute for Economics (Instituto Brasileiro de Economia), a branch of the FGV; and acted as a consultant, mainly for foreign corporations operating in Brazil. Furthermore, he served as the Brazilian Minister of Finance for eight months between 1954 and 1955.

Regarding his opinions on economic matters, Gudin established a sound reputation as a relentless promoter of the free-market and conservative standpoints. In a famous event in the history of Brazilian economic thought known as the “planning controversy” of 1944–1945, Gudin criticised the pursuit of planned state-led industrialisation as the best way out of underdevelopment for Brazil. In this controversy, his opponent was the famous Brazilian industrialist Roberto Simonsen, considered to be the patron and forerunner of the Brazilian developmentalist school of thought.² Indeed, despite Brazil adopting government-led industrialisation from roughly the 1930s until the 1970s, Gudin continued to defend free-market ideas in an environment dominated by interventionist concepts and policies.

Gudin had such an extensive presence in Brazilian economics as researcher, policymaker, counsellor for governments and corporations, populariser of economics, columnist, and pioneer educator for many generations of Brazilian economists that it is difficult to exaggerate his importance to the profession in the country. However, in this paper, we focus on a specific, yet important aspect of Gudin’s contribution to the profession: his transmission of Keynes’ and Keynesian ideas to a Brazilian audience during the 1940s and 1950s. As an educator, Gudin played a paramount role in introducing theories from overseas to Brazil. He tried to bring the cutting-edge knowledge of economists in Europe and the United States to the then-small Brazilian economics community. In fact, he is recognised as the first economist to write about Keynes in Portuguese for a Brazilian audience (Bielschowsky 2001, 95; Carneiro Netto 2003, 12; Chacel 1979, 34–35; Lewinsohn 1947, 111; Scalercio and Almeida 2012, 58, 158). In 1943, Gudin published the first modern economics textbook in Brazil, *Princípios de Economia Monetária (Principles of Monetary Economics, PEM)*, through which he transmitted, among many other theories in the field of macroeconomics and monetary economics, Keynes’ and Keynesian ideas.

Keynes published *The General Theory of Employment, Interest and Money (GT)* in 1936 and, according to Leijonhufvud (1968, 3), “no other economic work in this century has been the subject of anything even approaching the vast outpouring of commentary and criticism that the *General Theory* has received”. More than just commentary and criticism, the ideas in the *GT* would give rise to a new field within economics—macroeconomics—and its mid-20th century mainstream paradigm. According to De Vroey and Duarte (2013, 14), from the 1940s to the mid-1970s, economists experienced the so-called “Keynesian consensus”, with the transformation of this new theory into the new mainstream economics being termed as the “Keynesian Revolution”. The revolution began with the interpretation of the *GT* in terms of what would be known as the IS-LM model; so, Young (1987, 94) referred to this process as the “IS-LMisation” of Keynes.

We assess two specific issues regarding the transmission of Keynes’ and Keynesian ideas in the editions of the *PEM* published in 1943, 1947, and 1952. First, we identify the origins of the ideas resulting from the works of Keynes Gudin presented in his textbook. Did Gudin transmit Keynes’ original thinking (or his own interpretation of it) or some form of formative Keynesianism? In particular, considering the literature on the rise of Keynesianism, we describe the early models in the IS-LMisation of Keynes that Gudin presented in his textbook. Second, we compare the *PEM* with other textbooks published in the United

States around the same time, namely those of Tarshis (1947) and Samuelson (1948), to assess how up-to-date the *PEM* was in incorporating then-modern developments in macroeconomics and monetary theory.

This study of the transmission of economic thought is influenced by works such as Colander and Coats' *The Spread of Economic Ideas* (1989) and Hall's *The Political Power of Economic Ideas: Keynesianism across Nations* (1989). The former is important because it provides basic guidelines for general research on the international transmission of economic ideas through case studies. The latter focuses on the spread of Keynesian ideas and portrays in a detailed manner how the economic thought resulting from Keynes' works became central to economic policy formulation in developed countries. Other influential works that provided general guidelines for our study are Cardoso (2009), Mäki (1996), and the pioneering works by Dorfman (1955), Hutchison (1955), and Spengler (1970).

2. Eugênio Gudin on the Brazilian economy and the literature on Eugênio Gudin

Before analysing Gudin's transmission of Keynes' and Keynesian ideas in Brazil, we present two elements concerning the intellectual context to which our work refers. We first briefly identify Gudin's main ideas and interpretations about the the Brazilian economy. Second, we succinctly review how the literature on Gudin interprets and labels his work.

2.1. Gudin on the Brazilian economy

We can summarise the basic aspects of Gudin's interpretation of the Brazilian economy through four ideas. First, Gudin characterised the Brazilian economy as a "reflex economy". According to Gudin (1947, 276; 1954a, 285), The economic cycles experienced by reflex economies are mainly a reverberation of the economic cycles experienced by leader economies. Indeed, since Brazilian economic performance was chiefly conditioned by the performance of leader economies, there was little room for manoeuvre on the part of the country's policymakers (Lecture by Dr Eugênio Gudin for the Cordoba and Harvard Students, 17 July 1940, Gudin Papers, EUG pi GUDIN, E. 1940.07.17). Because active economic policy would not be effective in a reflex economy, Gudin used this idea to argue against the rise of economic interventionism that predominated in the mid-20th century in Brazil.

Second, according to Gudin, the Brazilian economy was also characterised by persistent "hyperemployment" (*hiperemprego*). He coined this term to refer to the situation in which the average employment level in the economy gravitates around 100%. Under Gudin's definition of employment, the employment rate can go above 100% when people who would not work under normal circumstances (e.g. homemakers and retirees) become willing to do so "under the pull of strong demand" (On inflation, September 10, 1958, Gudin Papers, EUG pi THE MONT PELERIN SOCIETY 1958.09.13). The concept of hyperemployment was an argument he used in opposition to the idea of his adversaries—the developmentalists—that the Brazilian economy could be characterised as regularly suffering from insufficient demand (Gudin 1952a, 229). In Gudin's opinion, since the economy was in a persistent state of hyperemployment, fiscal expenditure and governmental financial support for industrialisation would only result in increasing inflation.

Third, Gudin constantly argued the Brazilian economy suffered from widespread low productivity. Therefore, the solution to Brazilian underdevelopment did not necessarily require the state-led industrialisation advocated by developmentalists, but rather the reinforcement of market forces, through which productivity in the agricultural sector could rise. This would be easier to achieve since the highest productivity in the Brazilian economy was already in this sector. However, Gudin was not against industrialisation per se. He condemned state-led "artificial" industrialisation that could result in the establishment of protected industries with low productivity and, consequently, low competitiveness. For Gudin, Brazilian industry should emerge through the natural operation of market forces (Agriculture: South

America, September 12, 1958, Gudin Papers, EUG pi THE MONT PELERIN SOCIETY 1958.09.13; Gudin 1954b, 2010).

Finally, concerning his methodological views, he disagreed with the developmentalist notion that a new economic theory was required to study underdeveloped countries. In Gudin's opinion, contrary to the developmentalist argument that developed and underdeveloped nations had distinct structures, the operation of different economies was similar. Consequently, Latin American economists should ground their analyses on the principle of "*same equations, different parameters*". That is, the same theory would fit developed and underdeveloped economies as long as its "parameters" were adapted to each specific context (Gudin 1952b, 53). This conception of the universal validity of economic theory was the basis of Gudin's obstinate quest for cutting-edge economic knowledge from the United States and Europe.

2.2. *The literature on Eugênio Gudin*

We divide the literature dealing with Gudin's life and work into four categories: the free-market conservative, Marxist, developmentalist, and historiographic approaches. The works of the free-market conservative approach show a clear apologetic tone, praising Gudin's accomplishments as a great defender and pioneer of free-market ideas in Brazil. The most important writings in this category are Gudin's biography by Márcio Scalercio and Rodrigo de Almeida (2012) and the book *Eugênio Gudin Visto por Seus Contemporâneos (Eugênio Gudin as Seen by His Contemporaries)*, to which important Brazilian economists such as Mário Henrique Simonsen, Roberto Campos, and Octávio Gouvêa de Bulhões contributed (FGV 1979). While there is important biographical information in these books, the apologetic tone is predominant.

Authors who adopted the Marxist approach include Borges (1996, 2000) and Abrahão (1999), who argued that Gudin's works were scientifically ill-founded and not innovative since, in their opinions, they were mere repetitions of the free-market ideologies elaborated abroad (Borges 1996, 45–46; 2000, 110).

The developmentalist approach was remarkably more modern and less affected by ideological preferences. As such, the treatment given to Gudin's writings was more historiographic and technical. However, these authors assumed a position against most of Gudin's ideas. The main works in this category are those by Bielschowsky (1995, 2001). Bielschowsky (1995) may be the most important book about the mid-20th century Brazilian history of economics. The author presented a rather technical and rich comparison of the Marxist-socialist, developmentalist, and liberal approaches advocated by Brazilian economists between 1930 and 1964.

Regarding the historiographic line of works, articles dealing with specific aspects of the Brazilian history of economics include those by Boianovsky (2010, 2012), Haddad (1981), Chieza and Gaspary (2014), and Loureiro (1996). Gudin's career and works were analysed in these papers as part of the specific issues of 20th century Brazilian and Latin American economics. None of these historiographical works exclusively focused on Gudin.

In most studies of Gudin, however, a common question appears: how to label Gudin's approach to economics? The usual view is that Gudin was a monetarist economist. Subscribers to this argument are Bielschowsky (1995, 67; 2001, 96), Boianovsky (2012, 283, 286, 316), Borges (2004, 136), Campos (1996, 38), Loureiro (1996, 192–193), Mantega (1984, 12), and Scalercio and Almeida (2012, 207–208). In this strand of literature, he was sometimes classified as "conventional", and at other times, as an "unorthodox" monetarist. Additionally, Abrahão (1999, 21) and Campos (1979, 142; 1996, 242) depicted Gudin as deeply influenced by Austrian economics.

Furtado, perhaps the most famous Brazilian economist of the 20th century, classified Gudin rather differently: "Thanks to his practical sense, [Gudin] did not lose himself in disquisitions *à la Viner*. He could easily slide into heterodoxy in his arguments, without ever abandoning his always conservative conclusions" (1985, 142). We agree Gudin was mainly a practical man, essentially concerned with overcoming the underdeveloped condition of Brazil at the time. Despite praising classical and neoclassical

economics, he did not confine himself to a specific theoretical paradigm—just as Furtado argues. Indeed, Gudin used many economic perspectives and theories to advocate his free-market and conservative ideas.

3. The *PEM* and Gudin's presentation of Keynes' and Keynesian ideas

The period over which Gudin wrote the *PEM* witnessed the early development of what would become mid-20th century mainstream macroeconomics. Gudin published the first three editions of the *PEM* in 1943, 1947, and 1952, namely *before* the Walrasian interpretation of Keynes in Patinkin's *Money, Interest, and Prices* (1956). Indeed, the *PEM* was essentially planned as a textbook for the Portuguese-speaking Brazilian audience to learn the economic theory developed in major universities in Europe and the United States. As most Brazilians interested in economics in the mid-1940s could not read English or other foreign languages, a Portuguese-written textbook was crucial to building a broader community interested and trained in economics (Bielschowsky 2001, 92; Scalercio and Almeida 2012, 142; Simonsen 1979, 93).

Given this context and that the *PEM* focused on macroeconomics and monetary economics, Keynes' and Keynesian concepts would necessarily constitute one of Gudin's leading sources. Bielschowsky (2001, 95), Chacel (1979, 34-35), Scalercio and Almeida (2012, 158-159), and Simonsen (1979, 108) all argued that Gudin was the first writer to transmit Keynes' and Keynesian ideas to Brazilians interested in economics. However, this literature does not provide evidence or detailed discussions on this argument. In what follows, we thus examine how Keynes' ideas and the then-ongoing construction of the Keynesian consensus were incorporated in these three editions of the *PEM*.

Chacel (1979, 34-35) claimed the second edition of the *PEM*, published in 1947, marked an inflexion in Gudin's transmission of Keynes' and Keynesian ideas. On the contrary, Bielschowsky (2001, 95) and Scalercio and Almeida (2012, 158) stated that only in the third edition published in 1952—when the book had gained a second volume—did Gudin present Keynes' and Keynesian ideas in a more sophisticated and up-to-date fashion. Again, none of these authors provided evidence in support of their arguments. Therefore, the next section of the paper describes how Keynes' and Keynesian ideas were successively integrated into the first three editions of the *PEM*.³

3.1. The first edition: The neglect of the GT

The first edition of the *PEM* was published in a single volume in 1943.⁴ Gudin's biographers affirm that the book was a work Gudin started because of the 1937 coup d'état by the Brazilian dictator Getúlio Vargas.⁵ Ideologically, the Vargas dictatorship in that period was characterised by fascist inclinations and economic interventionism, pushing free-market ideas towards marginalisation. Consequently, in the late 1930s, Gudin had to tone down his public support of radical free-trade and free-market agendas. The intellectual endeavour of writing a textbook was thus a way of dealing with this political marginalisation (Scalercio and Almeida 2012, 82).

Regarding the foreign theories transmitted in the 1943 edition, Gudin's references included classical ideas from the founding fathers of economics such as Adam Smith and David Ricardo as well as theories of important economists from the 1930s such as Arthur Pigou, Ralph Hawtrey, Bertil Ohlin, and, above all, Keynes. Indeed, Keynes alone is mentioned 55 times in the book (Gudin 1943, *passim*). However, Gudin paid no specific attention to Keynes' *GT* in the first edition of the *PEM*. This is perhaps to be expected as the first textbooks to present Keynesian ideas were *The Elements of Economics* by Lorie Tarshis, published in 1947, and *Economics* by Paul Samuelson, published in 1948. Therefore, when the 1943 edition came out, the Keynesian revolution had not yet reached a stage where it was being presented in textbooks (Pearce and Hoover 1995, 186).

In the 1943 edition, Gudin explicitly referenced Keynes' *A Tract on Monetary Reform* (1923), quoted four times, and *A Treatise on Money* (1930), quoted seven times. For instance, Gudin (1943, 187,

204, 210, 231) cited Keynes to discuss the strengths and flaws of the traditional quantity theory of money. Other minor quotes from *A Treatise on Money* relate to banking. For example, Gudin (1943, 117) presented Keynes' bank theory regarding deposits and discussed his ideas about the Bank of England and interest rates in London and New York (Gudin 1943, 394, 422).

3.2. The second edition: The first mention of the GT

By the time the second edition was published in 1947, Gudin was already working on a second volume of his textbook. Nonetheless, he decided to publish this new edition of the first volume before concluding the second planned volume. In the 1947 preface, Gudin (1947, 11) stated “the modifications introduced in this edition are especially due to the necessity, which I verified by the time I started writing the second volume, to establish a tighter link between production, currency, and credit phenomena”. As is well known, the links between monetary phenomena, credit, and production (i.e. income, employment) are the focus of the *GT*. Therefore, Gudin here made reference precisely to the main theme of Keynes' most famous work. Indeed, in this new edition, the *GT* is the most cited of Keynes' works with nine explicit references (Gudin 1947, 68, 150–151, 154, 161, 166, 177) and many more points where it is assumed to be the source for the presented arguments. However, we believe this presentation of Keynesian theory is somewhat scattered and disorganised. In particular, it is a different presentation than that the third edition, which we discuss in the next subsection.

To understand how up-to-date Gudin's presentation of Keynes' or Keynesian ideas in the *PEM* was, it is interesting, for instance, to consider what he wrote on liquidity preference theory (Gudin 1947, 68–69). In discussing this theory, Gudin's comments pointed to the interpretation that would become the standard in the macroeconomics mainstream (Gudin 1947, 155–156). Although he recognised Keynes had advanced a new interest theory, he noted it could be easily attached to what Keynes called classical theory (Gudin 1947, 69). In Gudin's opinion, liquidity preference theory improved the prior explanation of the “subjective” motives behind money supply. Keynes' concept divided “the process from which money supply derives in two [causal elements]”. The first of these elements depends on the accumulation of capital, whereas the second depends on capitalists' decisions to put capital in its money form onto the funding market, thereby exchanging liquidity for a gain from interest. In discussing Keynes' innovations, Gudin (1947, 155–156) concluded Keynes had not replaced classical Marshallian theory, but rather reformed and developed it. Thus, the new theory proposed by Keynes is completely compatible with the prior classical theory.

3.3. The third edition: Presenting, discussing, and criticising Keynes and Keynesian economics for a Brazilian audience

In the third edition of the *PEM*, Gudin incorporated a more modern and up-to-date monetary and macroeconomic debate,⁶ roughly at par with other textbooks published in the United States at that time, particularly Tarshis' (1947) and Samuelson's (1948). In the new volume, Gudin showed awareness that Keynesian economics did not coincide with Keynes' own ideas. For instance, when commenting on increasing nominal wages as an anticyclical instrument, Gudin noted the difference between Keynesian propositions and Keynes' own position (Gudin 1952a, 210). Additionally, in a discussion on Keynesian monetary theory, Gudin (1954a, 282) warned the reader his presentation was “[...] according to a Keynesian theory (although not according to Keynes himself) [...]”. Therefore, for the first time in these three editions of the *PEM*, Gudin explicitly noted some Keynesian arguments could not be traced back to Keynes himself. In addition, in a letter to Raúl Prebisch after the Argentinian economist sent him his book on Keynesian ideas, Gudin wrote about his plans for the new edition, mentioning the Keynesian approach: “I received with great pleasure [...] a typewritten copy of your new compendium about Keynesian theory, which I will eagerly read, [...] because it is directly linked to the core of the 2nd volume of my Principles

of Monetary Economics” (Gudin to Prebisch, 2 July 1947, Prebisch Papers, Reel 3, Folder 57).

In this third edition, of the 192 times Keynes is mentioned, 135 (70%) are in the second volume. As for the *GT*, the number is even more significant: 39 of the 48 (81%) references to the *GT* are found in the second volume. However, more importantly, the third edition of the *PEM* also mentioned the authors that created the then-forming Keynesian economics. Alvin Hansen, for example, the leading American Keynesian according to Tily (2007, 105) and a key economist in the process of Keynes’ IS-LMisation,⁷ was quoted 22 times by Gudin; these quotes referred to five different works by Hansen. Further, two of the three authors De Vroey (2015, xv) considered to be the protagonists in the rise of Keynesianism, John Hicks and Franco Modigliani,⁸ were cited eight times in the second volume. Several papers by other authors involved in building mid-20th century mainstream macroeconomics were also cited in the 1952 edition of the *PEM*. For instance, Gudin cited articles authored by Paul Samuelson, Dennis Robertson,⁹ Jacob Viner, Gottfried Haberler, and Bertil Ohlin.

Nonetheless, although Gudin showed respect for Keynes as an important economist, he recurrently remarked his theories were relatively non-innovative in comparison with those Keynes named as classical. Gudin’s tone in relation to Keynes’ and Keynesian ideas is undoubtedly critical. Further, when Gudin agreed with the authors he was presenting, he concurred with Keynesian interpreters, rather than Keynes’ original works. In the following, we present four topics we considered important to show how Gudin presented Keynes’ and Keynesian ideas in the third edition of the *PEM*.

First, he (1952a, 209) affirmed that the most important feature of the *GT* was its theory of unemployment, which intended to correct what Keynes called classical theory by allowing for the possibility of an unemployment equilibrium. Tarshis (1947, 346) and Samuelson (1948, 273) also presented the Keynesian theory of unemployment in their textbooks. Thus, the Brazilian textbook included in 1952 information presented to an English-speaking audience only a few years before.

In particular, Gudin presented the idea of an unemployment equilibrium based on the papers by Haberler (1946), Hansen (1938, 1946), and Viner (1936). He explicitly subscribed to Hicks’ opinion, who interpreted Keynes’ views to be a special case of the classical model, referring to this particular solution as the case of the liquidity trap.¹⁰ Gudin (1952a, 71) also referred to this case in the way Hawtrey had called it in his *Capital and Employment*, published in 1937: the “dead point”. Later in the *PEM*, Gudin (1952a, 217) affirmed that the unemployment equilibrium is a fortuity that would be seldom verified in practice. He attributed this statement to “Haberler and ‘others’” and commented on the consequences of Keynes’ theory due to the possibility of the “Pigou effect”.

Since Keynes (1973 [1936], 207), after reading his early interpreters’ works, disagreed and rebutted the liquidity trap as the main cause of the unemployment equilibrium, Gudin was obviously presenting the Keynesian version of the theory of unemployment instead of Keynes’ original formulation of it. Additionally, as the liquidity trap interpretation of Keynes’ theory of unemployment was published before Modigliani’s 1944 model, in which the causes of the unemployment equilibrium go beyond the special case of the liquidity trap, we can affirm Gudin presented the earliest Keynesian interpretation of Keynes, the first step towards the IS-LMisation of the *GT* (De Vroey 2000; Rubin 2004).¹¹

Second, Gudin discussed a Keynesian theory of the business cycle and the concept of secular stagnation. According to Gudin, neither did Keynes work on a new theory nor did he fit his business cycle theory to any existing one (Gudin 1952a, 224). Therefore, the theory Gudin (1952a, 206) presented was not Keynes’ original but Hansen’s version of it, called the secular stagnation thesis. As indicated by Backhouse and Boianovsky (2016, 2), secular stagnation theory had been important in the 1940s and 1950s. Although Hansen did not regard secular stagnation as an idea originating from Keynes, Hansen’s interpreters such as Samuelson attributed its origins to Keynes (Backhouse and Boianovsky 2016, 9). The secular stagnation thesis was also presented in Samuelson’s (1948, 418–421) *Economics*. Gudin (1952a, 161) also considered the secular stagnation thesis as originating from Keynes’ writings.

Secular stagnation was defined by Hansen (1939, 4) as “[...] sick recoveries which die in their infancy and depressions which feed on themselves and leave a hard and seemingly immovable core of

unemployment”. The causes of unemployment in his thesis are declines in the rates of population growth and technological progress. Its main underlying argument is that economic maturity—represented by slower population growth and technological progress—make it more difficult to accumulate capital at significantly high rates. Consequently, there are insufficient investment opportunities to sustain full employment, generating the aforementioned underemployment equilibrium (Backhouse and Boianovsky 2016, 946–947, 954; Hansen 1939, 3–4).

Arguing that the secular stagnation thesis had its origins in Keynes’ works, Gudin presented it in a critical manner. He disagreed with Hansen’s basic idea, subscribing to the critical arguments presented by Haberler (1936) and Viner (1936). For Gudin (1952a, 162–163), the secular stagnation thesis extrapolated the cyclical movements from the 1930s and 1940s into secular tendencies. Specifically, Gudin argued Keynes’ fundamental psychological law of the marginal propensity to consume could be applied to the short, but not the long run (Gudin 1952a, 163). As such, there would be, *ceteris paribus*, no secular stagnation because there is no long-run stability in the marginal propensity to consume.

Third, in the same critical vein and although the third edition of the *PEM* presented Keynesian arguments in a much more organised manner than the second edition, Gudin commented on other important elements of Keynes’ and Keynesian theories in a scattered manner throughout. These themes, such as liquidity preference theory, were also presented, although in a more systematic and organised way, by Tarshis (1947, 324–328) and Samuelson (1948, 304, 308).

For example, Gudin (1952a, 67–72) questioned the validity of both Keynes’ and Hansen’s interest rate theories. Grounded on Robertson’s (1936, 175–176; Ohlin, Robertson, and Hawtrey 1937, 431) criticism, Gudin argued that Keynes’ interest theory was inaccurate because he used liquidity preference as the crucial element for explaining the motivation to invest. According to Gudin, to take the liquidity preference as the most important motivation to invest would be “to forget the essential to mention only the incidental”. Based on Robertson, he defended the abstinence of consumption as the essential feature for the motivation to invest. Therefore, the “marginal abdication of consumption” would be the crucial element in the determination of the interest rate (Gudin 1952a, 68–69). Furthermore, the interest rate ought to be considered as a function of total supply and demand for a type of money that needed to be specified and not, as Gudin argued Keynes stated, for responding to the liquidity preference and a quantity of an undefined type—and consequently an undefined quantity—of money (Gudin 1952a, 69). The latter argument Gudin attributed to Viner (1936), Robertson (1936), and Hawtrey (1937).

As another example, Gudin also commented on the marginal efficiency of capital and its relation to the interest rate. He criticized Keynes again. However, in our opinion, he presented a concept of the interest rate that did not conflict with Keynes’ ideas. Surprisingly, Gudin (1952a, 56) cited Schumpeter (1983 [1934], 158) and argued the interest rate is a “natural offshoot of profits”. An entrepreneur would only accept the onus of borrowing money if he/she expected his/her bonus to be higher than the profit rate he/she would earn from investing. Schumpeter (1983 [1934], 210) defined the interest rate as a sort of “tax on entrepreneurial profit”. On this issue, we believe the labelling of concepts differs; however, Gudin used Schumpeter to present an idea that did not disagree with Keynes’ arguments.

Fourth, as a staunch defender of liberal ideas such as the free market and free trade, Gudin also challenged Keynes’ social philosophy—from the last chapter of the *GT*—and presented several conclusions about this matter that transcend a strict theoretical scope. In an unusual manner for a textbook, Gudin called Keynes the “false friend of capitalism”, condemning him for defending investment socialisations and the euthanasia of the “capitalist” (Gudin 1952a, 226). According to Gudin, the ideas presented by Keynes in his social philosophy chapter seem inconsistent with Keynes’ diagnoses and policy prescriptions because his recommendations of fiscal and monetary policies were meant to sustain the capitalist system, not ruin it. Quoting the “unsuspected” Alvin Hansen and insinuating Keynes tended towards socialism, Gudin argued socialisation would lead the economy towards a planned economy that would ruin “our actual economic system” (Gudin 1952a, 226). Indeed, the notion that any type of governmental planning of the economy would lead to socialism was frequent in Gudin’s works (Gudin 1952a, 226; 2010, 78).

Finally, in another non-theoretical critique, Gudin complained about what he called the “labyrinthine language” used by Keynes in the *GT*. In Gudin’s opinion (1952a, 224): “It is curious that a man with Keynes’ classical and humanistic culture would build unnecessarily complicated schemes expressed in far-fetched terminology”. Moreover, by using a rhetorical recognition of Keynes’ importance, he wrote: “[...] the debate sterility created by this confusion [the complicated character of Keynes’ presentation in the *GT*] and the most unfair despise devoted to so many eminent economists [the so-called classicists who came before Keynes with similar theories], represent, still, a low price to be paid for the extremely valuable contribution brought by Keynes [...]” (Gudin 1952a, 227).

However, although Gudin’s textbook ignored Modigliani’s 1944 paper in his textbook,¹² and even considering Gudin was geographically far from the mainstream centres where Keynesian ideas were being launched, he was aware about what was being discussed in American and European academia. For instance, in 1957, in personal correspondence with Jacob Viner, he debated Patinkin’s new book *Money, Interest, and Prices*.¹³ Following the same position in the *PEM*, he was critical of the book, not because Patinkin’s position was Keynesian, but because it was Walrasian. He told Viner he believed the general equilibrium to be an “often sterile tool” (Gudin to Viner, 15 July 1957, Viner Papers, Box 12, Folder 15). Furthermore, in the same letter to Viner—as well as in his review of Patinkin’s book—Gudin was straightforward in his position: “[...] If a deluge were to wash away all the great treatises on economics, I would rather lose Walras’ *Éléments* than Marshall’s ‘*Principles*’” (Dr Gudin’s Review of Patinkin, Baumol to Viner, June 21, 1957, Viner Papers, Box 12, Folder 15). Additionally, Gudin wrote to Viner: “Patinkin’s main object, like Keynes, is to build a system and—more than Keynes—a general equilibrium system, in which no possible variable should be missing” (Gudin to Viner, July 15, 1957, Viner Papers, Box 12, Folder 15). Finally, he thought Keynes’ theory was more realistic than the Walrasian version of Keynesianism developed by Patinkin: “It is [...] right to point out that Patinkin’s book is on a more abstract level than Keynes’ who, undoubtedly, attempted to come more closely to grips with reality” (Dr Gudin’s Review of Patinkin, Baumol to Viner, June 21, 1957, Viner Papers, Box 12, Folder 15).

4. Concluding remarks

In this paper, we show how a pioneering South American economist, isolated from the main centres of economics academia, was able to update the textbook he wrote for a Portuguese-speaking Brazilian audience by incorporating offshoots from Keynes’ most important work into successive editions of the *PEM*. We believe Gudin’s textbook was fairly up-to-date compared with textbooks such as Tarshis’ (1947) and Samuelson’s (1948). Although the first edition of the *PEM* did not present any ideas from Keynes’ most influential work, the *GT*, no other textbook at that time—1943—had incorporated Keynesian arguments either. It was only in the third edition’s new second volume that Gudin presented Keynes’ and Keynesian ideas in a more systematic manner. However, unlike Tarshis (1947) and Samuelson (1948), Gudin commented on the presented theories in a critical fashion. Moreover, he did not present the standard version of the model that was the hallmark of the Keynesian tradition—the IS-LM model based on Modigliani’s 1944 article. Rather, the Keynesian theories presented by Gudin in the 1952 edition were those of the Hicks–Hansen period of Keynesianism.

Our paper contributes to the literature on the transmission of economic thought by elucidating how the most important free-market advocate of mid-20th century Brazil introduced Keynes’ and Keynesian ideas to that country. As already mentioned, studies that have presented Gudin as a pioneering economist that transmitted Keynes’ and Keynesian ideas to Brazil did not examine this transmission in detail. While Gudin could not exactly ignore Keynes’ and Keynesian arguments when writing a textbook about monetary economics, he did not abandon his radical liberal thinking and resolved to present these new theories in a critical way. As Boianovsky (2012, 286) wrote about Latin American monetarists, economists such as Gudin not only imported theories from abroad, but also transformed them to the contexts in which they

lived. Through his important textbook, Gudin thus introduced Keynes to the Brazilian audience, while maintaining a critical attitude faithful to his radical free-market leanings.

1. The then-University of Brazil is now named the Federal University of Rio de Janeiro.
2. The opposition between developmentalists and free-market advocates continues to divide the Brazilian economics profession. For more details on the controversy, see Simonsen and Gudin (2010) and Teixeira, Maringoni, and Gentil (2010). About Roberto Simonsen, see Curi (2015) and Cavalieri and Curado (2016). English-language literature about developmentalism in Brazil is scarce; however, Love (1995, 1996) and Schneider (2015) provided a glimpse of the movement against which Gudin defended his free-market agenda.
3. Giraud (2014) and Pearce and Hoover (1995) made a similar endeavour in relation to Paul Samuelson's main textbook, *Economics*, first published in 1948.
4. In the preface, Gudin already stated his intention to publish a second volume in the subsequent edition (Gudin 1943, XXIII). Nonetheless, the second volume would be published only with the third edition in 1952.
5. In 1937, Getúlio Vargas had already been governing Brazil as a dictator for seven years. He led a "coup within the coup" in 1937, alleging that communists were planning to take power in Brazil. After this coup, Vargas governed Brazil until 1945. Vargas' dictatorship between 1937 and 1945—the Estado Novo—was undoubtedly harsher against any political and ideological opposition than it had been between 1930 and 1937.
6. This is a two-volume edition. As Gudin had been writing the second volume since the late 1940s, he published this complementary volume in 1952, before the new third edition of the first volume. The new third edition of the first volume, which is roughly a new edition of the book published in 1947, was published only in 1954. After an unsuccessful search for a first volume published in 1952, we found a letter from 1953, in which Gudin explained to Jacob Viner the publishing of the first volume of the third edition was two years late (Gudin to Viner, December 24, 1953, Viner Papers, Box 12, Folder 15).
7. Laidler (1999) emphasised Hansen's role in building the Keynesian paradigm.
8. The third one is Lawrence Klein.
9. According to Tily (2007, 111), although Robertson opposed many of Keynes' ideas, he played an important role in the Keynesian Revolution, which remains predominantly unrecognised.
10. Dennis Robertson coined this term in 1936 (Boianovsky 2004, 92).
11. Gudin did not cite Modigliani's famous 1944 article in the *PEM*'s third edition.
12. See Rubin (2004) for the argument that Modigliani was the emblematic IS-LM's author.
13. Throughout Gudin's career, Jacob Viner had been a close friend and the main correspondent of the Brazilian economist with whom he discussed economics in personal correspondence.

Archives

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