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## A Brazilian Adam Smith: Cairu as the Founding Father of Political Economy in Brazil at the beginning of the 19th century

**O Adam Smith brasileiro: Cairu como o fundador da economia política no Brasil no início do século XIX**

*El Adam Smith brasileño: Cairu como el fundador de la economía política en Brasil, a principios del siglo XIX*

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Palavras-chave:	RESUMO
Adam Smith; José da Silva Lisboa; Visconde de Cairu; pensamento econômico.	O influente trabalho de Adam Smith, A riqueza das nações, foi apresentado aos leitores brasileiros por um "economista" autodidata, José da Silva Lisboa, no início do século XIX. O artigo tem como objetivo reconstruir a receptividade das ideias de Smith no Brasil (e em Portugal), por meio dos primeiros trabalhos de José da Silva Lisboa. Ele era um intelectual notável, liberal por instinto, além de funcionário do governo, que era bastante responsável pela "abertura econômica" dos portos brasileiros ao comércio exterior (decretado pelo regente português, o príncipe D. João, em 1808, em sua chegada ao Brasil). Ele foi homenageado com o título de Visconde de Cairu (que se tornou o patrono dos economistas brasileiros no século 20). Traduziu, incorporou, copiou e transformou inúmeras ideias de Smith em seus livros (publicados em Portugal e no Brasil, pela Imprensa Régia), adaptando-as a uma economia colonial e um ambiente agrícola retrógrado. Ele sugeriu, entre outras características originais, a existência de um quarto fator de produção (além da terra, do trabalho e do capital): conhecimento, que poderia ser considerado uma antecipação da evolução conceitual moderna no pensamento econômico.
Keywords:	ABSTRACT
Adam Smith; José da Silva Lisboa; Visconde de Cairu; economic thought.	Adam Smith's seminal work, The Wealth of Nations, was introduced to Brazilian readers by an autodidactic "economist", José da Silva Lisboa, at the beginning of the 19th century. The paper intends to reconstruct the reception of Smith's ideas in Brazil (and Portugal), through the early works of José da Silva Lisboa. He was a remarkable intellectual, liberal by instinct besides a government official, who was largely responsible for the "economic opening" of Brazilian ports to foreign trade (decreed by the Portuguese Regent, Prince D. João, in 1808, at his arrival in Brazil). He was honored with the title of Viscount of Cairu (who became the patron of the Brazilian economists in the 20th century). He translated, incorporated, copied and transformed many Smithian ideas in his books (published in Portugal and Brazil, by Imprensa Régia), adapting them to a colonial economy and a backward agricultural environment. He suggested, among other original features, the existence of a fourth factor of production (besides land, labor and capital): knowledge, which could be considered an anticipation of modern conceptual evolution in economic thinking.
Palabras clave:	RESUMEN
Adam Smith; José da Silva Lisboa; Visconde de Cairu; pensamiento económico.	La influyente obra de Adam Smith, La riqueza de las naciones, se presentó a los lectores brasileños a principios del siglo XIX, por un "economista" autodidacta llamado José da Silva Lisboa. Este artículo tiene como objetivo reconstruir la receptividad de las ideas de Smith en Brasil (y Portugal), a través de los primeros trabajos de José da Silva Lisboa. Era un intelectual notable, liberal por instinto, funcionario del gobierno y responsable por la "apertura económica" de los puertos brasileños al comercio exterior (decretado por el regente portugués, el príncipe D. João, en 1808, a su llegada al Brasil). Fue honrado con el título de Visconde de Cairu (que se convirtió en patrono de los economistas brasileños en el siglo 20). Tradujo, incorporó, copió y transformó innumerables ideas de Smith en sus libros (publicados en Portugal y Brasil por la Imprensa Régia), adaptándolos a una economía colonial y un ambiente agrícola retrógrado. Ello sugirió, entre otras características originales, la existencia de un cuarto factor de producción (más allá de la tierra, del trabajo y del capital): el conocimiento, lo que podría considerarse una anticipación de la evolución conceptual moderna en el pensamiento económico.

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## 1. ADAM SMITH'S EASTWARD AND WESTWARD JOURNEYS: WHEN DID HE COME TO BRAZIL?

One of the best-known Italian sociologists, Giovanni Arrighi, who is already famous for his seminal book *The Long Twentieth Century: Money, Power and the Origins of Our Times* (1994), acquired much more preeminence among scholars with the publication of his book launched in 2007, *Adam Smith in Beijing: Lineages of the Twenty-First Century*. It deals with the apparently irresistible ascent of China in the world economy. Everyone can easily agree with that kind argument and its contrary as well. The resistible decline of the American economic importance in the world, in general, not to mention, in particular, the vanishing influence of the United States over a vast array of East Asian countries (and elsewhere) in a foreseeable future.

I personally accept most of Arrighi's arguments and analysis, although I am less inclined to admit the case for an inevitable American decline, which is too premature to ascertain, I would say. I find that his "Smithian-Chinese" interpretation of current trends in the world economy represents a sensible evaluation of the main features of the changing political economy of our times, which constituted Arrighi's pet subjects of research and teachings. Very well, then, for the book and for Arrighi's stance towards global capitalism, what he described as his "long march from neoclassical economics to comparative-historical sociology" ([HARVEY, 2009](#), p.62). The "Smithian-Chinese" book represents a valuable contribution to the understanding of our transitional phase of the world economy. It comes from the tragic, but apparently secure period of the geopolitical Cold War and advances into the troubling waves of the new, still uncharted waters of what I call the "economic Cold War". I suppose that at this time, China will reveal itself as the very and true winner of this new kind of economic confrontation between two big economic empires, inside the framework of a reforming world economic structure, still under travails (and perhaps under a new direction). As regards the political preeminence of those two models of governance, I tend to adhere to a Fukuyama (1952-) approach about the evident superiority of a market democracy system, and of ample freedom for innovation and expression.

Nevertheless, agreeing with the approach adopted by [Arrighi \(2007<sup>a</sup>\)](#), for the interpretation of economic transformations in our era, and indeed appreciating the contents of his last big book, I take the opportunity to declare my total objection and complete disagreement with its title: *Adam Smith in Beijing*. I need to be straightforward, I think it should be the opposite: *Beijing moved to Scotland*. This path inversion deserves some explanation, but the reasons seem to me clearly evident.

If we reconstruct the evolution of economic beliefs among the new mandarins, as well as the overall corresponding changes in China's economic policies, it becomes clear that Adam Smith

never went to Beijing, even in a metaphorical sense. The question is what would it mean to perform, in the conceptual meaning of the undertaking, these imagined eastward journeys? If the former professor of Moral Philosophy in the University of Glasgow had to embark to Beijing in our time, that would imply some sort of virtual didactical work, performed by him, through his few published works. However, the reverse occurred: Smith teachings and books were the passive subjects of the whole process, that of an exceptional economic performance of Chinese market economy in the last decades, since Deng Xiaoping started a real revolution in China's economic and social policies (but not the political ones). Chinese autocrats of the CCP imported some of Smith's prescriptions in terms of public policies, but that was not reached out of a true conviction (by them), but out of necessity (for China).

Therefore, the contrary move is a much more acceptable view of the actual movement of trends and policies in China, than the somewhat ambiguous Arrighi's title ([2007<sup>b</sup>](#)). It was the mandarin-like Chinese *Nomenklatura* that undertook the hard path to Scotland, or precisely, to the core of Smith philosophy. Of course, there was much more than mere political economy in the *Weltanschauung* of Smith, but it would be really difficult for hardline modernizers and revisionist party apparatchiks like the Chinese communists to also adhere to his theory of moral sentiments or other memorable lessons of him. *À leur manière*, they accepted the main lesson contained in the massive treatise of Adam Smith, that Political Economy is a pragmatic science that statesmen use in order to build a strong nation and create riches and prosperity to the benefit of the whole society.

Notwithstanding, even admitting it, in accordance with Arrighi's proposal, that Adam Smith really went to Beijing (albeit metaphorically), one has to recognize that this imagined travel was only performed to carry the lights of a sound economic policy to the Middle Empire. It helps overcome centuries of total decline, exacerbated in the second half of the 20<sup>th</sup> century by the delirious and destructive political economy of late Maoism (e.g., among others, the Great Leap Forward and the Cultural Revolution). After this hypothetical visit, the author of the *Wealth of Nations* paved the way for the introduction, by Beijing, of a more amenable, half-rational, almost normal set of economic policies that carried China through a really impressive and exceptional period of a sustained high cumulative annual growth rates in its nominal and real GDP per head. In economic history, there are no other examples of such a huge transformation of social and economic conditions of millions of people in a very short period, and probably there will never be any other experiment of the sort, in that scale and pace.

So, a capitalist China – more exactly, a market economy in China –, fully integrated into the world division of labor, that is a great thing that could be expected from the lessons of a modest professor of moral philosophy in Scotland, who was only trying to instruct his contemporaries about

the intricacies of a post-physiocratic political economy. There is no precedent for this tremendous accomplishment, and this offers an additional proof of the powerful capacity of Smith ideas to endure and spread beyond any expectation, and transform our world beyond any physical and political barriers.

Well, that is all I could say about Giovanni Arrighi's book and his description of the improbable journey of Adam Smith in Beijing. Yet, attracted by this kind of intellectual exercise, I try to imagine another improbable Smith journey into Brazil, at his own epoch or even afterwards, as well as the probable, or possible results of it. The question, confronting this imagined visit, then, is to know if and how Smith could perform this extended, albeit virtual trip to a transatlantic tropical country still under the colonial rule of Portugal. Adam Smith refers, in few passages to Portugal and Brazil, in connection to its neglect by the Portuguese Crown, and criticizes the restrictions to the growth of the colony deriving from the practice of having an exclusive company to deal with all types of trade, as a kind of oppression. Later "abandoned by all other nations, on account of its absurdity", but used by Portugal "with regard at least to two of the principal provinces of Brazil, Pernambuco [sic] and Maranhão" ([SMITH, 1791-II](#), p.376<sup>a</sup>).

At that time, Brazil was not even a semi-capitalist country, not really integrated into the world economy (or just through a few Portuguese chartered trade companies and by the exports of the same commodities it continues to sell nowadays). Also, because Portugal was clearly a typical mercantilist economy, perfectly in line with the structures being criticized by Smith, and in total contradiction with his lessons about a liberal economy, that he recommended recurrently. However, taking into account that, in a manner similar to Arrighi's Smith itinerary, it is possible to send the Scottish professor anywhere in the world, I suppose that there would be no objection to make him take the road (or the sea-lanes) to Brazil. Let us embark him in this new adventure.

Indeed, Smith's lessons were, and are, universal in nature, and his prescriptions for a sound conduction of economic policies had global reach, despite many structural differences in economic characteristics between central and peripheral nations. He recommended, in a sensible way, an even combination of the free movement of production factors (by the invisible hand of market forces) with the needed action of the State in some important strategic spheres of public policies, such as defense, justice, infrastructure, and primary education.

No objection, then, that Smith's lessons could be brought to Brazil through some intellectuals, tropical mandarins somewhat equivalent to those from China, acting on behalf of a very ancient court. It is not as old as the most ancient dynasties of Imperial China, but one of the earliest States in medieval Europe, monarchic Portugal and its great seaborne Empire. One of those literati, a Portuguese-Brazilian mandarin living the epochal transition from colonial times to the new Empire

of independent Brazil, was José da Silva Lisboa. He was the first and more important translator, interpreter and imitator of Adam Smith in Brazil, and one of the rare and very few disciples of the Scottish in the tropical New World. For those accomplishments, Lisboa was, soon after the conquest of the autonomy, given the noble titles of baron and viscount of Cairu, and lately turned the patron of Brazilian political economy. But who was José da Silva Lisboa?

## 2. THE MAN AND HIS WORKS: LISBOA AS THE TRUE AND ONLY SMITHIAN IN BRAZIL

José da Silva Lisboa was a Brazilian-Portuguese guy from humble origins. He was born in 1756 in the northeast city of Salvador, Bahia – the first “capital” of the huge American colony of Portugal up to the discovery of gold mines and diamonds in the central heartland, in the middle of 17<sup>th</sup> century, when the administration was moved to the coastal city of Rio de Janeiro. He performed his elementary studies in religious establishments of Salvador, but like many other Brazilians living in a country totally deprived of superior learning, he had to go to the University of Coimbra to accomplish his specialized studies. After graduating in Canonical Law and Philosophy in Coimbra in 1779, he returned to Bahia and started languages and philosophy classes for the following 18 years. Between the years 1798 and 1808, he served as a Court official, and needed to forge a respectable career on behalf of his father. The Old Regime did not allow manual workers or relatives to become public servants. He was offered the post at the Board of Inspection for Agriculture, Trade and Taxation in southern Bahia, and performed duties linked to the productive sector in his native province and to foreign trade as well. Created in 1751, those boards were destined to promote and control agricultural and commercial activities in the Portuguese colonies. Despite of the fact it was conceived under the repressive mercantilist *Weltanschauung* of the times, they could also serve some liberal ideals, depending on the men allowed to operate them. Silva Lisboa was clearly in the illustrated side of the balance. ([ALMODOVAR, 1993, p.8<sup>a</sup>](#))

It is symptomatic of his intellectual aspirations that many years before the arrival of the Portuguese Crown in Brazil, in 1808, Lisboa undertook to acquire a self-taught course in economy and commercial matters because there was almost nothing published in Portugal on those fields. In the same year, when he started working for the Board – dealing with a variety of transactions, such as the royal rights over the slave trade from Angola and Benguela, the new tax on cotton exports, and inspection over contracts directed to India – he published his first book. It was called *Princípios de Direito Mercantil e Leis da Marinha para uso da Mocidade Portuguesa destinada ao Comércio*, and printed by “Imprensa Régia” in Lisbon. It was not exactly an economic manual, but a collection of doctrinal and legal cases. There were transcriptions of tribunal decisions and texts from other



writers in it that covered a vast array of commercial matters in high demand by merchants and other economic agents.

This first work attained a “stupendous success with Portuguese and Brazilian traders”, according to the curator of his works, António Almodovar ([1993](#), p.8<sup>b</sup>). Lisboa demonstrated in it, a real admiration for the English civilization, even before the publication of his second and most important book, heavily influenced by a detailed reading of Adam Smith’s *The Wealth of Nations*, which was *Princípios de Economia Política* ([LISBOA, 1804<sup>a</sup>](#)). His initial intention, stated in the 1798 book, was to offer a series of “elementary treaties”, dealing with various subjects of the Mercantile Law, but the vastness of the undertaking led him to work of a “wider scale”, expressing then the objectives of that work:

Willing not to bore the readers with prolix discussions, in matters that are arid and no attractive at all, while one is not convinced of their importance and influence for the general happiness, nor acquainted with the respective technical language, I decided to introduce this work with the first ideas in Economy and explain the motives for which I recommend the lesson of the immortal work *Wealth of Nations*, of the celebrated Adam Smith, and I follow him in the cardinal thesis of his system, persuaded that he was the first who dissipated the obscurities of the Political Economy, raising high the flame to illumine the Nations and Governments about their genuine interests, which are inseparable from those of the Human kind. ([LISBOA, 1804, p. 3-4<sup>b</sup>](#))

In that seminal book, in the prolific career (more than 77 works listed thereafter) of Silva Lisboa, besides the truly Smithian ideas, there is a radical departure from the French economic thinking and an appeal to a wider liberalization of the economic activities in the colony. An Appendix, published two years later, “containing interesting discussions against the criticism by an apologist of the rural philosophy”, confirms it ([Almodovar, 1993](#)-I, XVI, note 12; Appendix, in five parts, p. 125-183<sup>b</sup>). Because of his intellectual preeminence, in the context of a colony lacking men of this kind of erudition, Silva Lisboa was appointed professor of the Royal Chair of Economic Science, to be given in Rio de Janeiro, then capital of the Kingdom in 1808. He was also chosen to be a representative in the Royal Commission for Trade, Agriculture, Factories and Navigation for the State of Brazil and Ultramarine Dominions, besides being admitted to the Royal Printing in Rio de Janeiro. In his later career, as parliamentary in the First Empire of the newly independent Brazil, he produced more than five hundred speeches, proposals, interventions, projects, vote declarations between 1826 and 1835.

That was the original context in which Smithian ideas were introduced in Brazil, later confirmed by new books by Silva Lisboa. In 1808, with the arrival of the Portuguese court in Brazil, escaping from the Napoleonic invasion of the metropolis, Lisboa was influential in the Regent Prince, D. João’s decision to declare the opening of Brazil’s ports to every friendly nation. A decree was

published when both of them were in Salvador, the Bahia capital, in January of that year. Lisboa immediately produced his “observations on the free trade in Brazil” – *Observações sobre o comércio franco no Brasil* (1808) –, which were followed, two years later, by another book on the “Freedom of the industry and the establishment of factories in Brazil”, *Sobre a franqueza da indústria e estabelecimento de fábricas no Brasil* (1810<sup>a</sup>). And, in the same year, another work, discussing the trade agreements between Portugal and Great Britain, “About the prosperity of the State through the liberal principles of the new legislation”, *Sobre a prosperidade do Estado pelos liberais princípios de nova legislação* (1810<sup>b</sup>).

All these works were edited in the first volume of his collected works, besides being organized by António Almodovar and published by the Bank of Portugal in 1993. The second volume is entirely dedicated to a transcription of his great work, originally published in 1819. Lisboa synthesizes his “Studies on the Common Well-Being and Political Economy”, or, by its real title: *Estudos do Bem-Comum e Economia Política, ou ciência das leis naturais e civis de animar e dirigir a geral indústria, e promover a riqueza nacional e prosperidade do Estado* (Rio de Janeiro, by Imprensa Régia, 1819; Lisbon: Banco de Portugal, 1993). In the Preface of that compendium, Silva Lisboa remembers the readers that in his 1804 *Principles of Political Economy*, he worked based on three great British economists:

I helped myself preferably with the doctrines of Smith, Malthus, Ricardo, who exceed as original writers, profound, and didactic, men that can be called the *trio of the political economy*; because they raised this literature to the dignity of science, and contributed to its progress with rapidity, and a large number of exact principle, demonstrating the errors of previous common opinions. Smith characterized it as a *branch of legislator's science and the Statesman*. Malthus declares it to be the sole science of which could be said that the ignorance of its capital arguments represents not only a deprivation of good, but also a positive evil. Ricardo ascribed to himself the resolution of what he called the *principal problem* of the important science of political economy, that of determining the laws that, in various stages of the society, progressive, motionless, or in retrocession, regulate the distribution of the products of the Earth, according to proportions given to its various classes, in respect of wages, profits and rents. (LISBOA, 1819, p.7<sup>c</sup>)

### 3. HOW SMITHIAN WAS SILVA LISBOA? IN WHAT WAYS WAS HE INNOVATIVE?

Silva Lisboa's *Princípios de Economia Política* (1804) constitutes the first explicit incursion in the new domain of Political Economy in the Portuguese language, thus representing the first step towards its institutional acknowledgment (Almodovar, 1993-I: xix<sup>c</sup>). For him, it was fundamental to put the new science on grounds far away from the traditional French sources where Portuguese statesmen searched for views and inspiration. The distinction to be made, at that



moment, was to emphasize the reformist and progressive British perspective against the revolutionary and dangerous French standpoint. Many of his arguments are taken not only from *The Wealth of Nations*, but also from *The Theory of Moral Sentiments*, extensively cited in the Appendix to this work, as stressed by Almodovar ([1993](#), p.21<sup>d</sup>).

The first chapter of 1804 *Principles* starts with an evocative title: “On Social Happiness: the importance of the study of political economy for this objective: notice of the classics in this matter; utility of a simple policy in State’s regime”. Then, the second chapter is dedicated to the “general principles of economy”. Then, in the third chapter, a compilation of “General errors and partialities of political economy systems of various nations, and writers”. Chapter four is dedicated to the “Fundamental principles of the system of the first French economists”. In the fifth chapter, finally, Silva Lisboa explains the “Fundamental principles of Adam Smith”, followed by a sixth chapter, in which he discusses “On the difference of the theory of French economists and that of Dr. Smith on the original source of the physical production”.

All of the remaining chapters, thirteen in total, cover multiple confrontations of Smith’s ideas with criticisms by other personalities, as transcribed below:

- VII: Confirmation of the unique Smith’s merits, as recognized by the most modern respectable authorities;
- VIII: Acclamation of Smith by Mr. Garnier, his translator;
- IX: Evaluation of various criticisms against Smith;
- X: Comparison of James Steuart with Smith;
- XI: Remark about the criticism of a modern Englishman against Smith;
- XII: Apologetic observations about the criticism, against Smith, made by the author of the Political Memoirs on the Real Basis of the Greatness of Nations;
- XIII: On the philosophical exaction, and the political orthodoxy of Smith’s doctrines;

The Appendix of the *Principles*, which was finished in 1806, has five parts and they are all dedicated to a defense of Smith’s ideas, “containing interesting discussions against the criticism by an apologist of the rural philosophy”, who was an anonymous Englishman supporter of the French economists ([1993](#), p.125-183). Silva Lisboa’s aims, in his various works, especially in the *Principles*, were not only the practical instruction of Portuguese traders and merchants, but also the philosophical and political enlightenment of Statesmen and high authorities in Portugal and its Brazilian colony (at that time), in matters of political economy and State administration (which is, economic policies). His secondary goal consisted in the assertion of the validity and legitimacy of Smith’s ideas against what he called the “rural philosophy”, that is, the French physiocracy and its main economists. This second objective was not simply a question of philosophical inclinations, but also a practical consideration by Silva Lisboa: Portugal and its colonies should abandon the

anachronistic ideas of the French and adopt the progressive principles of the British. French and Portuguese traditions were anchored in the old mercantilist system – Colbert, Pombal – with its agrarian inclinations. Silva Lisboa proclaimed the ultimate superiority of the economic, political and moral ideas instead. They were directed, according to him, to the “infinite possibilities of civilization and progress, that [are] open to the human spirit” ([ALMODOVAR, 1993, p.20](#)).

In that context, the defense of freedoms was essential, both in the Smithian tradition and in Silva Lisboa’s works. Their identity is, in that respect, almost total. As remarked by his modern Portuguese interpreter, Silva Lisboa’s main argument is that “the fundamental law of the civilized nations” consists in that, “once all systems of preferences and restrictions are removed, [it occurs] the spontaneous establishment of the obvious and simple system of natural liberty” ([ALMODOVAR, 1993, p.22](#)). However, Lisboa is not a mere follower of Smith’s ideas and arguments. He truly innovates over the economic foundations of Smith’s system. Since the beginning, but more explicitly in his 1819 *Studies on the Common Well-Being*, he states that the second production factor, labor, must be complemented by a second component. The *intelligence*, not only in the meaning brought by the Enlightenment, but in the practical sense of human capacity applied to productive activities.

It is known that Smith adhered to the theory of labor value, although he referred in the first lines of *The Wealth of Nations*, “the skill, dexterity, and judgment with which labor is generally applied” ([SMITH, 1791<sup>b</sup>](#), p.1-2; [LISBOA, 1993](#), p.52-53<sup>d</sup>). Lisboa accepted that, with a peculiar interpretation, which was already initiated in his *Principles* (1804), but developed only later, and inserted in his *Studies* of 1819. His reasoning, as a kind of “founding father” of the knowledge economy, deserves a detailed transcription:

In these *Studies* I had a special endeavor in examining one of the more important problems of the political economy, indicated by Adam Smith just in the introduction of his work, but which was not developed by him, nor, up to our days, by any of the subsequent economists, having a consequence that goes beyond any calculation, that is to know: ‘if, for the riches and prosperity of the nations, which factor contributes the most, and in which proportion: the *quantity of labor*, or the *quantity of intelligence* in the animation and direction of the general industry!’. This continues to be a *desideratum* in the Republic of Letters. I try to demonstrate that the work of the economist must be, not to direct the society to mechanical labor, manual and painful; but to inquiry about the effective means to reduce those pains definitively, through the study of the laws and works of the Creator, replacing the labor of the human kind by the *labor of the nature*; this to ensure that the nature turns itself into the main worker in the cultivated states, where each individual cooperates with his special talent and the exercise of his body and mind faculties, knowing and applying the power and ways by which this nature labor operates in the production, and the transfer of visible things, taking advantage of those things in his benefit, to ensure the needed and appropriate reproduction of life goods; this with the objective of having the men the greater possible riches, with the least possible labor. ([1993](#), p.8)

Indeed, the “theory” of Silva Lisboa was that the *intelligence*, in the operations of the society, constitutes almost all for the goodness and a proper order in the life of the people. With this peculiar understanding of this economic factor, he considered the intelligence even more important in the tropics, e.g. Brazil, than in temperate countries:

This theory is especially interesting in this part of the new world, even if nature is benign to the inhabitant of the tropics, helping the workers with the fertility of the land, and the freshness of the airs; nevertheless, being in sunny regions, this does not give them the body robustness of the cold countries, where men are able to better support hard labor. They have, in consequence, to acquire superior intellectual forces, in order to use more the *strength of the mind* than the *service of the body*, having at their side the natural worker, for the supplies and the leisure of life. Besides, they have few arms for a huge territory; they have to rely on capacities, without looking at Africa, but constantly to Europe, the mother of the braves, who founded the colonies in America... ([1993](#), p.9)

Silva Lisboa was later honored, during the First Empire, with the title of Baron and Viscount of Cairu (middle 1820s), and became, in the 20<sup>th</sup> century, the patron of the Brazilian economists, although few economists nowadays read the works of their “protector” in the economy programs and disciplines of most universities.

#### 4. THE GRADUAL VANISHING OF LIBERAL IDEAS IN BRAZIL: ADAM SMITH IN RETREAT

At that juncture of the pre-independent Brazil, Silva Lisboa was not alone in preaching liberal ideas for the development of Brazil. Another autodidactic “economist”, Hipólito José da Costa, a Portuguese subject who was born in Sacramento (today in Uruguay), raised in Southern Brazil, and educated in Coimbra. He also deeply contributed to the dissemination of the liberal ideas of British (Smith, of course) and French economists (Jean-Baptiste Say). He did that through the pages of his paper *Correio Braziliense*, published in London, from 1808 (the year that the Portuguese royal court fled from Portugal, invaded by Napoleon soldiers, and installed the siege of its immense seaborne empire in Rio de Janeiro) to 1822 (the year of Brazilian independence). Hipólito da Costa personally translated and published in *Correio*, the ideas of the great European economists of the beginning of the 19<sup>th</sup> century, including the works of Silva Lisboa, which he commented extensively, approving their liberal instance.

Books by European economists eventually reached the shores of Rio de Janeiro and other ports in Brazil, though their names were usually first announced in the pages of *Correio Braziliense*. Though “clandestine” in Portuguese jurisdictions, Hipólito’s paper circulated largely in Brazil, among the intelligentsia and even Portuguese Crown officials. Perhaps Adam Smith, Say

and other European intellectuals became known much more through his publication than directly or through Lisboa's books. At the independence, many of the founding fathers of the new Empire were imbued, almost saturated, with the ideas of Adam Smith and Jean-Baptiste Say, which were carried by disciples such as Silva Lisboa and Hipólito da Costa.

Notwithstanding, the novelty and riches of Lisboa contributions to an early preeminence of liberal ideas in Brazil, the transposition of those ideas to the reality of a slave-based, agrarian economy was not exempt of unwanted consequences. Despite of the fact that José Bonifácio, the "father of the independence", recommended the immediate abolition of the slave traffic, and a gradual transition towards European immigration, the plantation owners of Rio de Janeiro (coffee) and the Northeast (sugar and cotton), who formed the majority in the Constituent Assembly and constituted the basis of the new State, blocked any attempt in favor of slave emancipation and land reform. Brazil took almost half century to effectively suppress the African trafficking and 80 more years to achieve emancipation (without any land reform or education). Its Land Law, adopted in 1850, was the contrary of an agrarian reform, and monopolized instead, all lands available, which remained under the control of the monarchy or the families of ancient landowners.

Even the survival of the liberal economic policies by the first generation of Statesmen, was put at risk at the end of the First Empire (1831), with new protectionist instincts arising just before and after the denunciation of the unequal trade treaties with Great Britain (1844). Protectionist stances started to take hold at the beginning of the Second Empire (1840) and became predominant during the second half of the 19<sup>th</sup> century, in line with the Hamiltonian Tariff model and Friedrich List arguments in favor of tariff protection, reciprocity and economic nationalism.

Brazilian intellectuals of the middle of the 19<sup>th</sup> century were shifting towards the "American system", that is, the economic nationalism and trade protectionism. In truth, high protection during the whole period was much more motivated for fiscal reasons – receipts from tariffs were the main, almost the sole, source of revenue for the State, in the absence of any other taxable assets – than for supposed industrializing considerations, a futile project at that juncture. The elites, either political or economic, remained aligned to those illiberal ideas during the rest of the 19<sup>th</sup> and the whole of the 20<sup>th</sup> century. Trade protectionism became the "official credo" among economists and public officials in Brazilian history and thus remained until our days.

During the preeminence of the neoclassical economic thinking, at the beginning of that century, some ideologists and entrepreneurs engaged in Brazil's modernization. They welcomed the successors of Hamilton and List, creating a high degree of support for the ideas of the Romanian economist Mihail Manoilescu, expressed in his *Théorie de l'Échange Inégal et du Protectionisme* (1929). It was quickly translated in Portuguese, and adopted by São Paulo industrialists, under the

leadership of Roberto Simonsen, entrepreneur and professor at the Free School of Sociology and Politics. Those ideas were the basis for the “successful” industrializing process of the second half of the 20<sup>th</sup> century, with its concentration in São Paulo.

An important debate over the economic policies that Brazil should adopt with the end of the Second World War took place during the years 1944-1945. The elimination of controls and restrictions introduced, at the beginning of the war, the possibility of a new kind of economic choices and policies. Two options were at stake: the return to (or, more exactly, the creation of) a liberal posture, as recommended by Eugenio Gudín, or the continued interventionism by the State, as defended by the industrialist Simonsen himself. Despite the fact that Gudín largely won this debate on theoretical grounds, the practical winner was Simonsen, as Brazilian elites – politicians, military, industrialists, most of representatives from academia – clearly espoused an interventionist approach in macroeconomic and sectorial policies.

At that moment, in the middle of the 20<sup>th</sup> century, Silva Lisboa was only a vague reference, even for specialists in economic history or economic thinking. His works remained unedited for more than a century and a half. In a fair way, in 1940, a Brazilian Commission for Portuguese Centennials – foundation of *Condado Portucalense* by Afonso Henriques, during the Middle Ages, in the 13<sup>th</sup> century, and three centuries of the end of the Iberian Union, in 1640 –, looking for something to celebrate, decided to reprint a facsimile edition of one of his works, and a minor text was chosen: the *Memória dos Benefícios de El-Rei D. João VI* (1818), not exactly a book of political economy. It was only in 1956 that a new and annotated edition of the *Princípios de Economia Política* (1804) was published at the occasion of 200<sup>th</sup> anniversary of Silva Lisboa’s birth (1756). Two decades later, in 1975, the *Estudos do Bem Comum e Economia Política* were published by the IPEA, the Institute for Applied Economic Research, an agency linked to the Ministry of Planning, perhaps an involuntary irony towards a liberal economist. Finally, in 1999, while preparing the celebrations of 500<sup>th</sup> anniversary of the discovery of Brazil in 2000, the Brazilian Senate inserted, in its Brazilian Basic Library, a new edition of *Observações sobre a franqueza da indústria, e estabelecimento de fábricas no Brasil* (1810), with an erudite introduction by Fernando Antônio Novais and José Jobson de Andrade Arruda.

As regards the Scottish master of Silva Lisboa, only few editions – abridged versions – of Adam Smith’s seminal work, *The Wealth of Nations*, were translated and published in Brazil during the 20<sup>th</sup> century. Liberal economics remained perfectly ignored in Brazilian faculties of economics, as they were dominated since their start, in the 1940s, by the Keynesian vulgate contained in Paul Samuelson’s *Economics*. Since the creation of the United Nations Economic Commission for Latin

America and the Caribbean (ECLAC), in 1948, under the leadership of Raul Prebisch, a peculiar version of a developmentalist Keynesianism took hold in every Brazil's economy faculties.

One of the most distinguished of its representatives in Brazil, the economist Celso Furtado, graduated in Paris (1948), with a long stay in the headquarters of ECLAC, in Santiago. During the first half of the 1950s, he condemned Silva Lisboa to an unreasonable ostracism again. He did that in his important economic history book, *Formação Econômica do Brasil* (1959), where the first Brazilian economist, in contrast to the “industrialist” Alexander Hamilton, is unduly assimilated to a mere follower of the *laissez-faire*, *laissez passer*, and to a superstitious believer in the invisible hand of Adam Smith. The accusation, and the contrast, resumed later in a doctoral dissertation ([FENELON, 1973](#)), are made in these terms:

Both [Cairu and Hamilton] are disciples of Adam Smith, whose ideas they absorbed directly and at the same time in England [sic]. Notwithstanding, while Hamilton converted himself in a paladin of industrialization, not well received by the class of small American farmers, defends and promotes a decisive State action of a positive character, direct stimuli to industries, and not only passive measure of a protectionist nature – Cairu believes superstitiously in the invisible hand, and repeat: *laissez faire*, *laissez passer*, *laissez vendre*. ([FURTADO, 1963, p.123](#))

In fact, the erroneous original charge of a Silva Lisboa “regressist”, agrarianist, and enemy of the industry, was advanced earlier, by one of the most famous Brazilian historians, Sérgio Buarque de Holanda, in his *Raízes do Brasil* (1936). With the condemnation repeated by Furtado, David Landes, the distinguished economic historian from Harvard, who read the American edition of Furtado's work, relayed the ominous accusation in his justifiably praised *The Wealth and Poverty of Nations* (1998). The “political indictment” of Silva Lisboa by distinguished people from academia in Brazil also represented an intellectual rejection of Smith's ideas by most of those literati. In fact, economic liberalism in Brazil became a sort of “skin infection”, that each one among the literati wanted to escape from.

During the hard times of adjustments and economic reforms in Brazil and Latin America, late 1980s and early 1990s, the pestiferous accusation became an equally grave indictment: “neoliberal”, at the same time when, in both sides of the Atlantic, Smith, Mises, Hayek, and Friedman were being saluted again and brought to a respectable place, in governments and academia. Not in Brazil and in Latin America, where allegations of “neoliberalism” were almost a political condemnation without any appeal in the academia. Adam Smith was sidelined by the “Washington consensus”, as the devil in person.



After many decades, almost two centuries of rejection by the “intellectual class” and public officials, a timid renaissance of Smithian ideas is nevertheless in place, at this beginning of 21<sup>st</sup> century, after the “Great Destruction” in Brazil, caused by ultra-Statist policies of Workers’ Party governments (2003-2016). Austrian and liberal ideas are being disseminated with a growing reception in some intellectual circles, with the creation and multiplication of “liberal institutes” and think tanks in various states and universities, thanks to the disastrous experiments of economic interventionism by the extreme Brazilian Keynesians of the ECLAC School of economic thinking. Perhaps, we will see new editions of books by both authors, Smith and Cairu, as they deserve a perfectly justifiable restoration of their ideas as the founding bricks of the dismal science, political economy.

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