

From Germany to North and South America: Carl Landauer and the strategies to deal with uncertainty in the 1930s and 1940s

Luiz Felipe Bruzzi Curi ⁽¹⁾

⁽¹⁾ Universidade Federal de Minas Gerais

Abstract

Carl Landauer dealt with the uncertainties of the 1930s and 1940s through strategies articulating theory and policy. For him, economic planning was a strategy to overcome the uncertainties of the market economy: a planned economy would reach an optimal use of resources and avoid monopolies. In 1933, he emigrated to the United States as part of a process of transference of knowledge from Europe to North America, due to the rise of fascism. In America, he conflated the defense of planning with democracy. At this point, the great uncertainty was the transition to a postwar economy. Landauer engaged in a critical debate with Keynesianism and presented planning as a device capable of ensuring economic stability and full employment after the war. His American intellectual production eventually reached Brazil, where the industrialist Roberto Simonsen assimilated Landauer's ideas to legitimize economic planning as an instrument to promote industrialization and overcome economic backwardness.

Keywords:

dissemination, planning, emigration, backwardness.

JEL codes: B31, B29, P21.

Resumo

Carl Landauer lidou com as incertezas das décadas de 1930 e 1940 por meio de estratégias que articulavam teoria e política. Em sua perspectiva, planejamento econômico era uma estratégia para superar as incertezas da economia de mercado: uma economia planejada alcançaria um uso ótimo dos recursos e evitaria monopólios. Emigrou em 1933 como parte do processo de transferência de conhecimento da Europa para os EUA, devido à ascensão do fascismo. Na América, associou a defesa do planejamento com a democracia. Nesse ponto, a grande incerteza era a transição para uma economia pós-guerra. Landauer engajou-se em um debate crítico com o Keynesianismo e apresentou o planejamento como um instrumento capaz de garantir estabilidade econômica e pleno emprego após a guerra. Sua produção intelectual americana eventualmente chegou ao Brasil, onde o industrial Roberto Simonsen assimilou suas ideias para legitimar o planejamento econômico como instrumento para promover a industrialização e superar o atraso.

Palavras-chave:

disseminação, planejamento, emigração, atraso.

JEL codes: B31, B29, P21.

1 Introduction

The interwar period is characterized by serious blows to certainties that, to some extent, had prevailed in most parts of the world in the decades before. The *Pax Britannica* was definitively shattered, and, with it, the world order of the 19th century, based on a liberal ideology and on the gold standard as a framework for economic policy, collapsed. The advent of modern war turned the thrifty 19th-century governments into 20th-century big spenders.¹ Concurrently, the unprecedented economic crisis unleashed social anxiety and political turmoil, while fostering new ways of thinking about economic policy and theory. It was against this challenging and effervescent background that the German-born economist Carl Landauer (1891-1983) produced his early reflections. As the market economy reached a critical level of disorder during the Great Depression, which he experienced and covered as an economic journalist based in Berlin, Landauer elaborated his theoretical case for planning as a strategy to tackle the uncertainties of such an economy. Having emigrated to America in 1933 due to political persecution, Landauer was later confronted with yet another type of uncertainty during the final stages of the Second World War: was the American economy heading to a general glut as the demand created by war economy waned? Again, he advocated for planning, this time as a strategy to ensure social stability and full employment for the postwar economy.

The socio-historical context was an undeniable aspect of Landauer's intellectual production, as it determined his emigration and the further dissemination of his works. To explore this articulation between context and intellectual creation, the study of the international dissemination of ideas stands out as an insightful perspective. By assessing how ideas "travel" from a national context to one or more different destinations, this approach deals with the reasons explaining these movements, as well as with their results. In a word, the historian of the international dissemination of ideas is interested not only in the intellectual constructions spreading around the world, but in explaining why and how these specific ideas arrived and thrived in a specific country, at a particular time (Cardoso, 2009 and Cardoso, 2017). This type of analysis necessarily involves a concern with socio-historical context that might be eschewed when the object of study is, for example, the evolution of a theoretical construct over time. In the latter case, it is feasible to isolate the intellectual elaboration from the "changing humors" of time, as Schumpeter ([1954] 2006, p. 35-38) put it. In the study of processes of international dissemination, however, context

.....
 1 On these transitions, see Hobsbawm (1994, p. 46-49) and Feinstein, Temin and Toniolo (2008, 22).

is part of the very questions posed, as ideas do not cross borders or get translated by themselves.

In that sense, Landauer's ideas provide an interesting perspective from which to observe at least two distinct processes of international dissemination of economic ideas around the 1930s and 1940s, particularly in the field of the economics of planning. First, he emigrated from Germany to North America, as part of the broader scientific diaspora following the rise of fascism in Europe, especially in the German-speaking area. In this movement, Landauer carried his ideas to America and adapted them. He attenuated his defense of socialism and critically assimilated proposals to keep full employment by means of public spending, which he had overtly rejected in Germany. Second, about a decade later, another process of international dissemination took place, which did not involve emigration but diffusion in print. This time, Landauer's ideas were received in Brazil, in an atmosphere of rising concern with the development of backward countries. Although Landauer's first book published in America (1944) elaborated on ideas he had previously developed in Germany, this second dissemination process was in fact from North to South America, since he was read in Brazil as an American professor. The Brazilian assimilation of Landauer's ideas on planning can be seen as part of the "crafting" of the third world, as conceptualized by Love (1996), because it helped to construct an economic discourse championing planned industrialization as a way to overcome the economic backwardness of peripheral countries.

In the English-speaking literature on the history of economics, Landauer's contributions are usually ascribed a subsidiary role in investigations referring to more comprehensive topics. Lavoie (1985, p. 13-5), for instance, presents Landauer as a market socialist who sided with Oskar Lange in the defense of the theoretical possibility of value calculation without the institution of a market. In opposition to Mises (1920), both Lange and Landauer believed that an optimal equilibrium could be reached in a planned economy. In a similar vein, Caldwell (2004, p. 118-9) refers to Landauer briefly, in his reconstruction of the German-language socialist calculation debate, as a German "non-Marxist socialist", who favored a mixed system in which market prices play some role in the allocation of resources. Klausinger (2001, p. 255) sees Landauer from the perspective of the German debates on economic policy in the 1930s and presents him as an economic journalist representing the "treasury view", according to which fiscal policy was ineffective to tackle the ongoing depression. The characterizations of Landauer as a market socialist and as a publicist adhering to fiscal orthodoxy are true, but they do not delve into his contributions

to the economics of planning, nor do they explore the international diffusion of his thought. Therefore, filling in this gap in the literature, this paper presents an analysis of Landauer's contributions to economics in the 1930s and 1940s, from the perspective of the international dissemination of ideas.

2 Landauer in Germany: economic journalism and the search for a third way

Landauer was born in 1891, in Munich, where he began his economic education under the supervision of Lujo Brentano. He moved then to Berlin, where he attended Werner Sombart's seminars at the High School for Commerce. In 1912, he graduated as a PhD at the University of Heidelberg under the supervision of Alfred Weber, with a dissertation about the question of luxury in the mercantilists and physiocrats. To produce this monography, he was supported by Brentano, Theodor Vogelstein and Franz Oppenheimer. In 1915, he was hired as assistant by the Institute for Sea Traffic and International Economics, in Kiel, but had to leave the job due to his recruitment to serve in the war. Dismissed from military service, he worked at the Department for War Supply, later converted into the Ministry for National Supply (Rieter and Schlüter-Ahrens 1999, p. 345).

From the end of the First World War until 1926, Landauer lived in Munich. During these years, he worked as a teacher at the High School for Commerce (integrated into the Technical University of Munich in 1922) and as an economic journalist. A member of the Social-Democratic Party of Germany (SPD) since 1912, he was responsible for the "security divisions" of the party, which were formed in order to shield the SPD from national-socialist assaults and putsch attempts. By contrast, he fiercely opposed the Bavarian Council Republic (1919), a short-lived attempt at implementing a socialist, Soviet-like regime in southern Germany. As a journalist, Landauer was between 1920 and 1926 a permanent collaborator and in the end editor of the social-democratic newspaper *Münchener Post*. In 1925 he became a correspondent for the *Berliner Börsen-Courier*, under the supervision of its chief editor, the Austrian publicist Gustav Stolper.

When Stolper went to Berlin to establish his own paper, he hired Landauer in 1926 as editor of *Der Deutsche Volkswirt* (*The German economist*), which presented itself as a weekly newspaper for political and economic affairs. In *Der Deutsche Volkswirt*, Landauer became an important voice in the debate on economic policy during the last years of the Weimar Republic. The weekly newspaper, directed jointly

by Stolper and Landauer from 1928 onwards, became the main press forum for the debate on economic policy in the final years of the Weimar Republic. It adopted a social-liberal editorial line during the late 1920s and the Great Depression, criticizing for example the proposals to reflate the German economy by means of expansionary monetary and fiscal policies. Landauer contributed to *Der Deutsche Volkswirt* until its prohibition in 1933, as part of the Nazification process.

In these years, Landauer managed to reconcile his journalistic activity with the progress of his academic career. In 1929, he defended his habilitation thesis on the problems of the functional distribution of economic value, drawing on a previously published piece of work, which had had a good critical reception, as exemplified by Schumpeter's (1928) favorable review. At the Berlin High School for Commerce, where he taught since his arrival in the capital in 1926, he was appointed as an extraordinary professor of economics in 1932, but remained in office only one semester, as political factors got in the way. His 1931 book *Planwirtschaft und Verkehrswirtschaft* (*Planned economy and market economy*) was thus a product of both his studies in economic theory and his intense contact with the economic conjuncture of these years. Therefore, it is important to understand the context in which the economist and journalist Landauer produced his texts, before examining the theoretical volume in detail (Rieter; Schlüter-Ahrens, 1999, p. 346-7).

In the winter of 1931-32, the Great Depression reached its most critical point in Germany, with unemployment rising to about 30% (more than six million people, in absolute terms).² Hence, strategies of expansionary or "proto-Keynesian" economic policy were discussed, mostly in the form of public works programs. In 1931, a commission headed by the deputy and former Minister of Labor Brauns presented a public works plan to be financed by means of an external funding loan. The exchange rate crisis, however, obstructed the proposal, paving the way to the Lautenbach plan, based on the notion that, given the restrictions in the international capital market, recovery programs ought to be financed with the support of the *Reichsbank*: for example, through the rediscount of bills used to pay for the works in question. Yet monetary expansionism was still associated to the memory of the German hyperinflation of the 1920s, and the board of the *Reichsbank* refused to take part (Klausinger, 1999, p. 379-81).

At the beginning of 1932 two other plans were drafted. The first, conceived within the trade union movement, became known as the WTB-Plan (after the initials of its creators Wladimir Woytinsky, Fritz Tarnow and Fritz Baade) and proposed, along the

.....
 2 See Gourevitch (1986, p. 140-7) and Feinstein *et al.* (2008, p. 98-100).

same lines as the Lautenbach plan, to finance public works by means of debt issuing. The WTB-Plan, however, was met with resistance by German social-democracy, as it was opposed by leaders such as Rudolf Hilferding, the leading Marxist theoretician in the Social-Democratic Party and editor of its monthly journal *Die Gesellschaft* (*The society*) and Fritz Naphtali, the head of the Forschungsstelle (Research Institute), jointly financed by the Social-Democratic Party, the trade unions and consumer cooperatives. However, a modified version of the plan was adopted by the German Trade Union Federation in 1932 as its “Plan to Create Jobs” (Garvy, 1975).

The second plan received the name of its father, the demographer and historicist economist Ernst Wagemann, then president of the Statistisches Reichsamts (National Statistical Office) and the founding Director of the German Institute for Business Cycle Research. Rather than a plan for public works, Wagemann formulated a proposal for monetary reform, which allowed the *Reichsbank* to increase the money supply through the issuance of bills without backing, neither in gold nor in foreign exchange. Due to its inflationist character, the plan also clashed with the memory of hyperinflation and failed to find supporters in academia and the government (Feinstein *et al.*, 2008, p. 109-112; Bruzzi Curi; Saes, 2015, p. 145-6). The Society for the Study of the Economics of Money and Credit (Studiengesellschaft für Geld- und Kreditwirtschaft), led by Robert Friedländer-Prechtl and Heinrich Dräger, also elaborated expansionist proposals for the German economy, which, according to Barkai (1990, p. 55-70), might have provided a basis for the formulation of the Emergency Program of the Nazi Party, presented to parliament by Gregor Strasser in May 1932.

Klausinger (2001) sees the editorial line adopted by the paper *Der Deutsche Volkswirt* as an example of the constraints to an eventual expansionary policy in 1931-32. In addition to difficulties in financing fiscal deficits, there was a lack of consensus, among experts and in public opinion, about the adequacy of expansionary measures (Borchardt, 1991, p. 143-61). Although *Der Deutsche Volkswirt* published divergent opinions on economic matters, its editor-in-chief Gustav Stolper infused into the paper a clear opposition to most of the proposals presented in the “pro-Keynesian” plans drafted in 1931 and 1932. Landauer followed Stolper closely in this stance on economic policy. Against the Lautenbach plan, Landauer’s article “Stimulus or inflation?” (Ankurbelung oder Inflation?) argued that the crux of the German credit problem was the foreign exchange constraint, which could not be solved by internal monetary expansion. Therefore, it was necessary to avoid international financial default and the focus of economic policy should be the achievement of trade surpluses, to attract foreign exchange and thus allow for monetary easing

(Landauer, 1931a, p. 1707). To force a domestic expansion in this context would simply lead to an increase in imports and a worse external position for the German economy. Landauer reasoned in terms of the gold standard, refusing unbacked monetary emission, and emphasizing this position with the idea that inflation was a looming threat. He asked Lautenbach and the other proposers of unbacked monetary emission: if such a process were to be started, where would be the checks to an eventual escalation in prices? (Landauer, 1931a, p. 1709).

By the same token, the Wagemann plan sparked an aggressive campaign from *Der Deutsche Volkswirt*, which published a series of articles attacking the plan's proposals. The contributions, by Landauer, Stolper and Ludwig Albert Hahn, were collected and published in a separate pamphlet, called *Anti-Wagemann*. Landauer's article was suggestively called "Hands off the currency!" ("Hände weg von der Währung!"). Wagemann's proposal was to unpeg part of circulating banknotes – particularly those of small denomination, used for transactions "disconnected from international markets" – in order to generate monetary easing. Landauer countered Wagemann with an argument very similar to the one formulated in the dispute with Lautenbach, but with a more emphatic tone, since his discourse was now targeted at a high official who for Landauer should support, and not criticize, the measures taken by the Brüning's government in order to restore order to the German financial system (Landauer, 1932, p. 9-23).

In his press articles, Landauer also explored topics such as unemployment and the theory of cycles. In that respect, he hewed closely to a market socialist position that combined an Austrian influence in the theory of cycles and a social-democratic reformist bent (Rieter; Schlüter-Ahrens, 1999, p. 347-8). He shared the idea that cycles are inherent to modern capitalism and based his general interpretation of the ongoing crisis on the idea of "overinvestment". According to Landauer (1931c, p. 636), the crisis was caused by previous "excessive" production of goods for future necessities: "excessive" meaning that it had not been preceded by a corresponding renunciation consumption. Therefore, Landauer doubted that enduring prosperity could exist in a capitalist economy, as the system tended to be constantly "overcharged" during the ascending phases. In parallel with journalistic activity, Landauer developed his economic ideas in a more scholarly format: in 1931, *Planwirtschaft und Verkehrswirtschaft* (*Planned economy and market economy*) came out (Landauer, 1931b). The book attacked the capitalist market economy, from the point of view of the search for an "optimal" arrangement, in the sense of the best possible employment of economic factors.

It proposed a “functional economy” or a “purposeful economy” (*zwecksmäßige Wirtschaft*): an economy capable of generating “the best satisfaction of consumption desires” (Landauer 1931b, p. 7). In terms of modern economic language, this concept of *zwecksmäßig*, as proposed by Landauer, could be translated as “efficient”, which is the concept used by Landauer in his later works written in English. For Landauer, however, efficiency had no necessary connection with the operation of the market. He considered that “in a planned economy and in a market economy, with equivalent consumption needs and endowments, the efficient (*zwecksmäßig*) processes are the same” (Landauer, 1931b, 7). There was no superiority of the market economy as a way towards better (more efficient) satisfaction of consumption needs. On the contrary, he assumed the “universal validity” of economic laws and postulated that, even though the search for efficiency imposes similar actions in every type of economy, such actions can be executed in a less uncertain and wasteful way in a planned economy. This was the argument underpinning Landauer’s defense of his version of socialism.

He highlighted how the very operation of the market economy was “anti-economic”, in the sense of the purposeful or efficient economy. In order to make this point, Landauer presented a set of arguments. First, there was the issue of monopolization. In his view, a market economy contains by nature a tendency towards the formation of monopolies and cartels, which leads to losses in terms of the satisfaction of individuals’ economic needs. It would be ingenuous, he argued, to imagine that economic freedom would not lead to the emergence of cartels and trusts, as the scale of production was becoming more and more crucial for businesses to be profitable. In his own words, “it is assumed that in the free intercourse between buyers and sellers, the best return possible is achieved, while agreements between sellers are assumed to be nonexistent” (Landauer, 1931b, p. 32).

The second reason for Landauer’s criticism of the market economy – unemployment – was urgent in 1931 Germany. He emphasized the negative consequences, both economic and humanitarian, of this phenomenon. From a theoretical perspective, he saw unemployment in a market economy as a result of conjunctural alterations related to technological change. His argument was based on the “overinvestment” approach and started with an analogy that, according to Landauer, was elaborated by Roscher and employed by Böhm-Bawerk.³ Landauer does not provide the precise sources for this reference, but it is possible to trace it to the relatively known passage of Roscher’s *Grundlagen* in which he evokes capital productivity and the sacrifice

.....
 3 In the context of his discussion of the theory of capital interest, Böhm-Bawerk resorted to the fishers’ story in order to criticize Roscher’s view. On this point, see Tomo (1995).

of present consumption to explain interest rates (Roscher, 1897, p. 564). The story refers to a “wild tribe of fishers” who ignore fishing technologies and eventually start to overcome their technical backwardness, devoting themselves to the production of boats and nets. Yet during the catching-up process the subsistence of the tribe must be assured by previously stored fish, obtained using primitive technology, because the new instruments are still in production. For Roscher, the point was the relationship between renunciation of consumption and production of capital, while Landauer used the story to emphasize the impossibility of precisely determining the velocity of the process of capital-building. According to Landauer (1931b, p. 45-7), the fishers might predict that the new boat and net would be ready in, say, 30 days, after having stored supplies for only 20 days, in which case they would end up with unfinished instruments and no food. This situation represents the crisis, as there are only two possible alternatives: either reducing drastically the consumption of food (and thus threaten the tribe’s survival) or interrupting the production of new equipment, leaving the already employed resources to depreciate.

Another imperfection of a capitalist economy referred, for Landauer, to a “psychological failure” which affected bargaining processes, particularly the determination of wages. In his words, “the capitalist economy intends to get to cooperation, by means of the fiction that what matters is struggle, and not cooperation itself” (Landauer, 1931b, p. 69). This incoherence generated a series of problems, such as, for example, the obsession for increasing sales and revenues. From the point of view of the individual firm, Landauer (1931, p. 70-1) argued, the struggle for higher revenues makes sense, but it is pointless and even dangerous from the point of view of the efficient economy considered as a whole. For him, this denial of cooperation had an influence on international relations, in a clear reference to the First World War, which, in his opinion, had caused more harm than benefit, even to victorious countries (Landauer, 1931b, p. 70-1).

Associated to this was, for Landauer, the problem of wage determination in a society in which trade unions and employers were incessantly confronting each other. From the point of view of capital formation, the usual workers’ struggle for higher wages is dysfunctional, as it does not consider the conditions under which the economy as a whole would perform optimally. Landauer argued that since the trade union movement is always under the threat of employers’ retaliation, labor pressure tends to be exaggerated, in order to obtain at least some gains. In his own words, this was a problem inherent to a system “that purports to make the common interest flourish, by means of a situation in which each individual stick to their own

interest against others” (Landauer, 1931b, 89).

The final parts of Landauer’s book were dedicated to the strategies to solve these failures inherent to a market economy. First, he examined the “planning boards in the market economy”, among which he included antitrust institutions, wage-regulating agencies, and central banks. He was skeptical about the potential of these institutions, although he recognized their importance for the operation of a market economy: “Capitalism regulated by planning can only be a transition system, which necessarily works in an unsatisfactory way and whose usefulness declines fast” (Landauer, 1931b, 108). His defense of socialism was deeply anti-Soviet. In order to conceal its own failures, he argued, bolshevism conferred on some individuals the prerogative to withdraw rights from their opposers and even to annihilate them (Landauer, 1931b, 185). Alternatively, he envisaged a socialist state ruled by parties in a parliamentary system, which should respect the democratic will of the people, thus avoiding the danger that the command of the economy fell prey to private interests, as he deemed to be the case in capitalism (Landauer, 1931b, 153).

Even though he wanted to preserve significant political aspects of liberal-democratic societies, Landauer elaborated and defended, in his 1931 book, an economic arrangement he called socialist. The theoretical basis for this arrangement was associated to optimality in the employment of economic resources or, in his own terms “better satisfaction of consumption necessities”. His understanding of the ongoing crisis was grounded on an Austrian-influenced approach to the economic cycle: the downturn was derived from the overinvestment problem inherent to a capitalist economy. Hence, it could not be overcome by countercyclical policies, as preached by the “pro-to-Keynesianism” of Lautenbach and other policymakers proposing public works. In a capitalist economic order, planning was quite limited as a strategy to eliminate the inefficiencies caused by such dysfunctions. Only socialism, with public property of the means of production, would assure that economic gains resulting from planning are fully obtained. As the next section shows, Landauer’s enthusiasm for a systemic rupture towards socialism would dwindle as he moved to the United States.

3 From Germany to North America: the “theory of national economic planning”

Landauer’s emigration from Europe to the United States was an immediate result of the rise of National-Socialism in Germany. As part of the “co-ordination” (*Gleichschaltung*, in Nazi terminology) of German society under the principles of National-Socialism,

the civil service had to be “restored”, which meant the dismissal of all “non-Aryan” servants, including professors and teachers (Evans 2003, p. 382-3). According to Hagemann and Krohn (1999, p. xii-xv), Nazi persecution involved the sacking of about 3,000 scholars of various fields, from whom about 2,000 sought protection in other countries, particularly the United States. Hagemann (2011) underlines that this process helped shape the evolution of economics in America and, with the increasing Americanization of the profession in the postwar period, in other countries as well. Founding fathers of development economics such as Alexander Gerschenkron, Albert Hirschman, and Paul Rosenstein-Rodan were all part of this diaspora (Hagemann and Krohn 1999, p. xxviii-xxxi).

The profile of the *émigrés* was relatively diverse. The number of university or high school professors was the most expressive, but there were also professional economists working for private associations and trade unions, as well as high bureaucrats and “economic consultants and journalists” such as Melchior Palyi, Gustav Stolper, and Carl Landauer. Landauer’s professional group was not a majority among emigrated economists, but his career was illustrative of the success achieved by German-speaking economists abroad. Out of 221 emigrants who had already started their professional life, only four experienced a “negative break” in their career. Landauer, in fact, managed to improve his academic position. Dismissed from a “college” (*Hochschule*) in Germany due to his Jewish origins and with *Der Deutsche Volkswirt* closed by the regime, he accepted an offer from the University of California, Berkeley (Hagemann and Krohn, 1999, p. xiii). Landauer thus left Germany and emigrated to the United States in 1933, with his wife and three children. He began his American academic career as a lecturer at Berkeley’s Department of Economics, ascending to professorship in 1936 (Rieter and Schlüter-Ahrens, 1999, p. 346). In the new context, there was an “Americanization” of Landauer’s scholarly work, reflected in his contributions to academic journals, as well as in the way he structured his *Theory of National Economic Planning* (1944), which can in part be considered a re-elaboration of his 1931 German book.

In the late 1930s and 1940s, Landauer contributed to American journals, showing an effort to get integrated into the new community and to keep up with the developments in the profession. In 1937, he published in the *American Economic Review* a critique of Keynes’ theory of interest. Essentially, Landauer (1937) challenged the idea that liquidity preference determines the rate of interest and questioned Keynes’ approach to the marginal efficiency of capital. In that respect, he criticized Keynes’ proposition that with a high rate of interest investment will probably not

be large enough to permit employment of all employable. He received a response in a note published by Roderick H. Riley, an economist from Madison, Wisconsin, who accused Landauer of ignoring Keynes' specific definitions and clinging to the "postulates of traditional doctrine" regarding saving and investments (Riley, 1938a, p. 314). Riley held a PhD degree in economics from the University of Wisconsin and, according to his obituary of 2001, in the late 1930s he worked in Washington as an economic advisor, as part of the first generation of Keynesian economists in government positions.⁴

The debate in the AER, which ensued in a brief reply and a short rejoinder (Landauer, 1938; Riley, 1938b), reveals not only features of the concrete dissemination of Keynes' ideas in the American economics profession, but also Landauer's choices as an arriving scholar. While he was critical of Keynes' theorization, Landauer sought compromise, both with Keynes and with Riley. In his critique, he acknowledged Keynes' merits, for example, by stating that the *General Theory* served "as a useful test even if the traditional doctrines stand in the end". He further recognized that Keynes' attempt to produce a "monetary theory of production" was an experiment "which had to be undertaken" (Landauer, 1937, p. 266). When replying to Riley, he conceded that what he had said in his article about the incoherences of Keynes' theory of interest was too short to do justice to the difficulties of the problem and insisted that the profession should be "grateful to Keynes" for publishing the *General Theory* before all details are presented in a "completely clarified form" (Landauer, 1938, p. 317).

In 1941, Landauer published another contribution in the AER: a note responding to a previous article by Dudley Pegrum, who was critical of the economics of planning. Pegrum's (1941) text was a refutation of the idea that the socialist calculation debate had been settled in favor of planners. He argued that the formal possibility of a planned economy does not prove its practicability. On the one hand, Pegrum emphasized that there were unsettled questions in economic theory, especially regarding the implementation of abstract concepts. On the other, he warned that, even if one conceded that economic models are valid, conditions would be so different in a planned, socialist society that one should doubt whether models formulated under capitalism would hold true in the new setting.

Landauer's (1941) comment is an indication of his search for a more American economic language, in that he responded to Pegrum's point about the unsettled questions in economics with an example consisting of an invented situation in which

.....

4 The Washington Post, August 6 2001.

Landauer, who described himself as one of “the surviving believers in Böhm-Bawerk’s theory of interest” (Landauer, 1941, p. 827), and a Keynesian economist were supposed to draft a plan for the American economy. The first line of thought, as illustrated in the allegory of the fishers evoked by Landauer in the 1931 book, explained economic downturns as results of a lack of resources to carry on expansion projects together with consumption. The Keynesian economist would in turn explain the crisis by the disequilibrium between increased economic capacity and insufficient purchasing power. In drafting the plan, however, both would, according to Landauer (1941, p. 827), “try to keep all economic magnitudes in the right proportions”. In that sense, he would agree with his Keynesian fellow that the plan should be protected from a sudden rise of liquidity preference, which could drain purchasing power available for consumers’ goods and thereby harm previous calculations. By the same token, Landauer assumed the Keynesian colleague would agree that individual productive units should be charged for their employment of resources according to the time of usage, and that the charge should be raised with the prospect of scarcity of such resources.

Regarding Pegrum’s second point, about the conditions prevailing in a planned society, Landauer (1941) responded by arguing that the necessary action to avoid the eventual “postwar slump” would inevitably go “in the general direction” of a planned economy. The idea of full employment allowed Landauer to conflate the intentions of economists worried about unemployment with his own belief in a planned economy. In a way, Landauer was trying to tell his American colleagues that the attempts to keep full employment by means of Keynesian interventions to preserve purchasing power were no more than imperfect ways of “planning” the economy. In other words, he was asking Pegrum and his other potential readers: why not have the courage to adopt the theory and the policy of planning in its entirety?

In *Theory of National Economic Planning* (1944) Landauer would elaborate on this attempt at establishing a theoretical dialogue with Keynesian ideas as a way to legitimize his planning agenda. Certainly, Landauer’s intellectual production in the 1940s was influenced by the Great Depression and the policy debates held during the Second World War, which was coming to an end when the book came out. According to Stein (1990, 194), the developments of the war, the reflection on the experience of the 1930s and the “digestion of Keynes” led the American debate on economic policy to a convergence on two points. First, that the government must take the responsibility for maintaining full employment, however defined. Second, that fiscal policy must be a major instrument towards for discharging this responsibility.

In a way, Landauer's 1944 book can be seen as an elaboration on his previous work in order to engage with this emerging American consensus.

While in the 1931 book the central argument was efficiency, in 1944 it would be stability or "economic security". The main reason for planification now was the existence of the economic cycle, in which depressions and booms would follow one another. The attempt at Americanization is expressed in a reference, made in the very first chapter, to Alexander Hamilton's *Report on Manufactures*. In Landauer's opinion, the report had constituted an effort to coordinate economic activities according to a specific purpose, but it had not been a "plan", since a plan was supposed to be all-encompassing and involve the elaboration of a scheme of economic processes in quantitative terms (Landauer 1944, 7). In his own words, planning could be defined as:

guidance of economic activities by a communal organ through a scheme which describes, in quantitative as well as qualitative terms, the productive processes that ought to be undertaken during a designated future. To achieve the main purpose of planning these processes must be so chosen and designed that they secure the full use of available resources and avoid contradictory requirements, making a stable rate of progress possible (Landauer, 1944, p. 13).

Landauer started the book discussing the "imperfections" of the market economy. Crises and particularly unemployment gained a more important role in his discourse, in comparison to the 1931 text, in which the inefficiency engendered by monopolization had provided the starting point. For Landauer (1944, p. 7) there were many differences between a "perfect market economy", which adjusted smoothly and automatically, and the real economy. Unemployment was one of these differences, and it could be explained by cycle theories divided in two large groups: "underconsumption theory" and "overinvestment theory". According to the underconsumption hypothesis, for which Say's law had no validity, depressions were caused by the incompatibility between investments made during the boom phase and the insufficient purchase power generated by them. In the overinvestment view, in line with Roscher's story of the fishers, production did create enough demand, but there was a growing divergence between investment projects formulated by entrepreneurs in the ascending phase and the availability of resources in the economy. In a word, while the first group of theories related fluctuations in employment to demand, the second one associated them to the supply-side of the economy (Landauer 1944, p. 7).

Landauer (1944, p. 6-7) underlined the fact that, in the real economy, agents normally ignore the results of their actions. Entrepreneurs do not formulate their investment projects considering the projects of their competitors and they do not know how markets would behave in the future. They only get to know the results

of their economic actions after they have been carried out. The price system was, Landauer argued, unable to perfectly coordinate individual economic activity, as it reflected only current market conditions, incorporating many accidental, speculative factors. In both theoretical explanations presented, the intensity of cyclical fluctuations could be attenuated if there were clues of how prices behave in the future. In the case of underconsumption, expansion would not lead to a general glut, as entrepreneurs would certainly not create productive capacity predestinated to be left idle, if they knew where to stop. From the point of view of overinvestment, a prediction of the rise in prices could warn capitalists of the imminent scarcity of resources. Landauer saw planning as a way of providing the agents with stable and reliable signs of the future behavior of the economy. He thus recommended:

Either the mechanism of the prices system must be so influenced that prices reflect to a sufficient extent the future supply and demand situation; or the effects of commitments into which entrepreneurs plan to enter must be calculated in advance, and entrepreneurs must be induced to disobey present prices so far as these would lead them into commitments that cannot be carried out (Landauer 1944, p. 8).

Planning now had a justification based on the idea that the price system was not a good guide for entrepreneurs to elaborate their investment projects. According to Landauer, this idea was compatible with Keynes' formulations. Here Landauer (1944, p. 8-9) referred to Gottfried Haberler's *Prosperity and Depression* (1939) to imply that Keynes' theory was compatible with "almost any" explanation of the phenomenon of depression. It was "only a framework with room for different cycle theories" (Landauer 1944, p. 8). In an extensive footnote on Keynes, Landauer (1944, p. 9) observed that for Keynes depressions occurred due to a sudden collapse of the marginal efficiency of capital, but the reasons for such a collapse of expectations might be manifold, related either to psychological factors or to changes in the economic conditions.

To understand this new justification for planning, it is worth considering that in Landauer's new intellectual setting, this sort of economic theorization, associated to Keynes and his ideas, was more prestigious than in his native Germany at the beginning of the previous decade. The experience of fighting and eventually reversing the Great Depression had contributed to spread the acceptance, in many parts of the world, of deficit-financed spending and public works as economic policy strategies to tackle economic crises. However, two aspects peculiar to the way Keynesianism was assimilated in the United States can illuminate Landauer's attempt to relate his ideas on planning to a Keynesian perspective.

First, the American institutional context was relatively permeable to innovation in economic theory and policy. In a comparison between the dissemination of Keynesianism in Britain and the U.S., Weir (1989, p. 63-5) argues that the more fragmented bureaucracy and the less established civil service favored innovative experimentation in economic policy and, hence, an early absorption of Keynesian ideas in America. Created in the early New Deal, agencies staffed disregarding civil service requirements, such as the Public Works Administration (PWA), the Civil Works Administration, and the Works Progress Administration (WPA) fostered the emergence and legitimization of an administrative advocacy of public stimulus as a remedy for depressions. This paved the way for the “second” New Deal in 1937-38, when the Roosevelt administration consciously adopted deficit-financed public spending as a strategy to counter the imminent major downturn. Roderick Riley, who debated with Landauer in the pages of the *AER*, is an example of this “influx of the Keynesian school to Washington”. He was part of the Division of Industrial Economics, in the Department of Commerce. This Division, set up in 1939 by Secretary Harry Hopkins on the recommendation of Lauchlin Currie, was led by Richard Gilbert, who engaged a staff mostly committed to Keynes (Stein, 1990, p. 168). During the war, Riley would work for the Office of Price Administration and then on the Strategic Bombing Survey of Germany.

Second, and more importantly, in the U.S. planning was conflated with Keynesianism, and not an alternative to it, as it was in Britain and Germany. In Britain, Keynes’ macroeconomic approach to unemployment was seen as less interventionist than the sort of intervention at the micro level proposed by socialist planners. Keynes was a member of the Liberal party and, when this party declined, his ideas came to be associated with technical experts, rather than with the Labour Party, which had planning at the core of its program in the 1930s and 1940s. The Labour government that rose to power in 1945, for example, envisaged the nationalization of the Bank of England, coal mines, and railways, in a program bearing no sign of Keynesian influence (Weir, 1989, p. 74-5). In Germany, the Social-Democratic Party (SPD) had a similar position before the definitive rise of National-Socialism. According to Woytinsky (1961, 467), in 1931 the leading economic theorist of the party, Rudolf Hilferding, denied the expansionary character of the British devaluation of the pound and discredited it as simply inflationary. Furthermore, the abovementioned stimulus plan drafted by Woytinsky, Tarnow, and Baade in 1932 faced strong opposition, as reported by Woytinsky (1961, p. 471), because it did not conform to the main theoretical line in the SPD. It did not deal with what was seen as the only cause of

the ongoing depression: “the anarchy of the capitalist system”.

In the United States, by contrast, planning and Keynesianism converged. In spite of theoretical differences, the concern with the maintenance of full employment after the war provided a common denominator (Weir, 1989, p. 75-7). As the war came close to an end, Keynesians and their sympathizers believed that the maintenance of full employment hinged on economic planning, at least to a certain extent. In political terms, the practical result of this convergence was the Employment Act of 1946, which established that it was the responsibility of the Federal Government to

*utilize all its plans, functions, and resources for the purpose of creating and maintaining, in a manner calculated to foster and promote free competitive enterprise and the general welfare, conditions under which there will be afforded useful employment opportunities.*⁵

This Act, signed into law by President Harry Truman in February 1946, was the consequence of an intensive campaign in favor of the full employment cause during the war years. The movement involved “intellectual middlemen”, who, according to Bailey (1950, 20), were able to “weld” Keynesian theory and economic policy. They were connected to four institutions: the National Planning Association, the National Farmers Union, the Fiscal Division of the Budget Bureau and the National Resources Planning Board (NRPB), to which Alvin Hansen, one of the most prominent Keynesian scholars in America at the time, became an advisor in 1940 (Stein, 1990, p. 168).

In this context, Hansen conceived a program for permanent public investment to remedy the “secular stagnation” from which, in his opinion, the American economy suffered. Hansen (1943) prepared a pamphlet for the NRPB (“After the war – full employment?”), in which he championed a national program of public investments to avoid a “postwar slump”, legitimizing the strategy as a sort of “democratic planning” leading to full employment. He also sought to ease the disseminated concern with the increasing public debt by arguing that the positive impact of spending after the end of the war would compensate the growing liabilities (Hansen, 1943, p. 7).

Landauer (1944, p. 164) referred to this pamphlet in a critical tone, arguing that there was no evidence that public spending would generate enough expansionary effects to raise government revenues and avoid the unlimited increase of debt. Landauer’s conception of planning, in fact, remained different from the “partial planning” policies he associated to Hansen. In that respect, he kept suspicious with respect to the possibility of correcting the dysfunctions of the market economy by means of central banks and public works financed out of the state budget. However,

.....
5 Employment Act of 1946, Pub. L. 79-304, ch. 33, 60 Stat. 23 (1946).

it was no longer possible to fully ignore these partial solutions and discard every possibility of convergence between “full” and “partial” planning as he had done in his German period. Landauer’s assimilation of Keynesian theoretical arguments, on the one hand, and his reference to Hansen’s proposals published by the NRPB, on the other, are signs of an adaptation of his discourse to an American audience. In this line, Lerner (1970, p. 38) remarks that, although Landauer resisted to fully accept the Keynesian revolution, his “classicism” (in the pejorative sense Keynes ascribed to it) was attenuated, for example, by his “innocent qualification” when invoking Say’s law: “money earned in one type of employment (*if it is not hoarded*) will be spent on the products of other branches of production” (Landauer, 1944, p. 62; italics mine).

From a theoretical point of view, the sort of national planning proposed in 1944 played a role remarkably similar to the one associated with the planned, socialist economy in the 1931 book. This system was now named “full national planning” and was opposed to isolated or partial initiatives of planning: “the purpose of full national planning is not merely to correct the evils of *laissez faire*, but also to substitute order and reason for confusion and anarchy in the economic measures of the government” (Landauer, 1944, p. 170). Here, Landauer agreed with critics of state intervention in the economy since the First World War, for governments had often pursued their own political goals, disrupting the price system and leaving the consequences for private agents. In his opinion, this had made private economic agents skeptical of government intervention. This skepticism towards a more comprehensive role for the state, he argued, contributed to the preservation of the “state of confusion and planlessness which now characterizes the economic policies of most, if not all, governments” (Landauer, 1944, p. 171).

In 1944, Landauer’s suspicion of an economic order based predominantly on private initiative was attenuated, for now Landauer attached importance to democracy and economic stability, as they would help to prevent the rise of authoritarianism. As a way towards a more efficient economy, full planning (with state-owned means of production) was still more reliable than free competition. However, Landauer was more tolerant with the maintenance of market-economy institutions, in order to avoid social instability and facilitate the implementation of planning. While maintenance of features of the market economy might pose inconveniences and delays from the point of view of efficiency, it would hopefully lead to an easier acceptance of planning. Moreover, it would increase the accountability of planners and thus favor a more solid consciousness of freedom in society (Landauer, 1944, p. 181).

Landauer also discussed the relationship between economic planning and democracy, in a tone similar to the one Hansen (1943) had adopted when proposing “democratic planning” to achieve full employment. Landauer’s general argument was that planning should work in a way that consumers are provided with the best means to satisfy their wants. This idea, however, was now related to the need to preserve a democratic order, by means of the economic security and efficiency generated by such a satisfaction of needs. In Landauer’s words, among the contributions of planning to the preservation of democratic government, “the first is economic security, which will diminish the temptation to accept dictatorship and, at the same time, will help to produce that sane type of mind which is essential to the functioning of democracy” (1944, p. 180-1).

In the background, Landauer’s main concern was that economics should somehow eliminate the imperfections of the market economy, in order to avoid the repetition of the tragedies the world had witnessed in the 1930s and 1940s. In *Theory of National Economic Planning*, it was clear that these imperfections should be corrected by planning, but in an Americanized form. The strategy did not involve a transition to socialism anymore, as he had claimed in the German 1931 book. Furthermore, it entailed a critical assimilation of Keynes’ and Hansen’s arguments which equaled the goal of Keynesian policymaking – full employment – to that of planning. Landauer sought to legitimate planning both as a category and as a policy instrument aimed at stabilizing economies that he considered unstable by nature. This idea would prove attractive in the southern part of the American continent, even though Landauer did not develop a framework to deal specifically with backward economies. Roberto Simonsen, who wanted to introduce economic planning in Brazil while distancing himself from any socialist label, resorted to Landauer in the Brazilian “controversy on economic planning” of 1944-45.

4 Dissemination in South America: the Brazilian controversy on planning

While the emergence of a self-conscious third world is usually dated at the 1955 Asian-African Conference held in Bandung, Indonesia, it is possible to identify previous movements leading to the construction of such a consciousness. In interwar Central Europe, for instance, recently formed nations built a “proto-Third World”, where the problems of social and economic backwardness were addressed and theorized from the perspective of development options including Soviet socialism and

corporatism. Rumanian economist Mihail Manoilescu's 1929 attempt at elaborating a theory of international trade compatible with backwards countries' industrial development is an example of this early consciousness of backwardness (Manoilescu [1929] 1931). The Second World War gave an important impetus to the awareness of underdevelopment as it accelerated decolonization and led to the formation of international institutions, such as the United Nations, which fostered the construction of a third-world identity. Latin America gradually joined the recently decolonized countries to become politically aware of economic backwardness (Love, 1996, p. 214-215; Bruzzi Curi; Saes, p. 2015).

In Brazil, awareness of economic backwardness existed since at least the turn of the 20th century. At this time, advocates of domestic industrial development resorted, for example, to a selective reading of Friedrich List to legitimize their protectionist claims, while members of parliament and policymakers leaning to a more interventionist agenda referred to economists such as Thomas Tooke and Adolph Wagner as authorities supporting a flexible monetary policy and the expansion of the state's scope of economic activities (Boianovsky, 2013 and Bruzzi Curi, 2019). From 1930 onwards, the crisis of the primary-exporting sector and the rise of a nationalist political project prompted the consolidation of explanations of Brazilian backwardness marked by the condemnation of liberalism and the confidence in national industrial development as a solution for the country's deficiencies.

Roberto Simonsen (1889-1948) was an important promoter of this economic discourse. As an industrialist leader and member of government boards, he produced studies showing the fragility of the primary-exporting economy and pointing to the necessity of state-led industrialization (Simonsen, 1935 and Simonsen, 1939). Simonsen assimilated Landauer's ideas in the context of the so called "controversy on economic planning" (1944-45), in which he defended his proposal to adopt economic planning in Brazil from liberal criticism. This episode led to an important demarcation of fields in the Brazilian 20th-century debate on economic theory and policy. With his emphasis on planning as a strategy of economic development, Simonsen became a beacon for intellectuals and policymakers suspicious of economic liberalism and a sort of patron of heterodox economic thinking in Brazil. For Simonsen and other supporters of this approach, state planning would not only correct the failures of the market economy, but potentially help to overcome industrial backwardness and poverty – very pressing issues in mid-20th century Latin America.⁶

.....
 6 For an overview of Simonsen's economic thought from the perspective of his international assimilations, see Bruzzi Curi (2015). An analysis of his protectionist approach to international trade can be found in Bruzzi Curi and Lima (2015).

The controversy on economic planning was part of a broader process of accelerated economic and institutional transformation in Brazil. As the Great Depression reduced the international price of coffee, the Brazilian economy experienced an inward turn, as the import substitution process gained momentum and the 1930 Revolution paved the way to an expansion and diversification of the economic scope of the state. The government, led by president Getúlio Vargas, became gradually more interventionist and, particularly during the authoritarian regime of Estado Novo (1937-45), attempted at coordinating entire economic sectors, which was favored by the need to adapt the economy to a conjuncture of international instability and war (Fausto, 2014, p. 202-39). One of the bureaucratic units created by the Vargas administration at this juncture was the National Board of Industrial and Commercial Policy, of which Roberto Simonsen was a member, representing the industrialists of the state of São Paulo. The controversy itself was triggered by a memorandum, drafted by Simonsen in 1944, in which he advocated the institutionalization and centralization of planning in Brazil, making the Board the institution in charge of the coordination of the economy.

Simonsen's 1944 memorandum was emphatically countered by the renowned liberal economist Eugênio Gudin in 1945. The controversy ensued during this year, with Simonsen's reply ([1945] 2010) and Gudin's rejoinder. Gudin played an important role in the establishment of economics profession in Brazil and in the transmission of economic theory to a Brazilian audience. Despite his staunch defense of a *laissez faire* agenda in economic policy, Gudin could not ignore the winds of the Keynesian revolution and engaged in theoretical debate with economists from lines of thought diverging from his own perspective. In that sense, he sought to incorporate the emerging Keynesian theoretical framework into his seminal textbook (Cruz e Silva *et al.*, 2021). His challenge to Simonsen has, thus, a twofold meaning. On the one hand, he intended, as part of his free market agenda, to hinder any attempt at the institutionalization of central planning and protectionism in Brazil. On the other hand, he recognized Simonsen as a legitimate interlocutor, in that he prompted him to refine his own arguments on planning, which Simonsen did by means of Landauer's ideas (Bruzzi Curi; Cunha, 2015).

In his response to Simonsen's memorandum, Gudin ([1945] 2010) associated planning with socialism and criticized Simonsen's proposal. He claimed that the Brazilian economy operated in full employment, the real problem being how to allocate the resources in the most efficient way. In his view, as agriculture was the most productive sector, it should be the key activity of the Brazilian economy. In

such an interpretative scheme, planned industrialization, or the “forced” transference of resources from rural activities to manufacturing sectors, would lead solely to a reduction in the general productivity of the economy and a scarcity of labor in agriculture.

For Simonsen ([1945] 2010, p. 154), this view was flawed. Brazil’s role as “agrarian economy” was, in his view, due to its specific, historically constructed development, rather than a consequence of its endowment of natural resources. More precisely, the current backward situation – a mostly agrarian economy with a weak industrial sector – was a legacy of the colonial past, during which manufactures had been prohibited and the dependency on a limited number of primary exports was consolidated. Free trade would then, in Simonsen’s opinion, contribute to aggravate this dependency. He urged the state to intervene and change the course of Brazilian economic history towards industrialization. For him planning was a suitable economic policy instrument to accomplish this task (Bruzzi Curi, 2015, p. 23-8).

Gudin ([1945] 2010, p. 62-4) accused Simonsen of failing to present theoretical economic arguments justifying the adoption of economic planning. His criticism that Simonsen lacked theoretical expertise to discuss planning spoke to the fact that Simonsen was in fact an engineer and a leader of the industrialist movement in São Paulo, with no formal training in economics. Furthermore, most of Simonsen’s previous studies of the Brazilian economy had been done from the perspective of economic history. He had published on the economic history of colonial Brazil (Simonsen 1937) and on the industrial evolution of the country (Simonsen 1939). Neither in these previous historical works, nor in his 1944 memorandum calling for economic planification, had Simonsen presented a theoretical examination of economic planning. While, in his parliamentary interventions, he had argued against free trade with reference to protectionist theorists such as Friedrich List and Mihail Manoilescu (Simonsen, 1935; Bruzzi Curi; Lima, 2015), his defense of economic planning would not find theoretical justification until, instigated by Gudin, he resorted to Landauer’s book. The reference to Landauer is particularly interesting because it is possible to examine directly Simonsen’s assimilation of Landauer’s ideas. In his copy of *Theory of National Economic Planning*, Simonsen underlined some passages and annotated the margins.⁷ He then translated some of the marked passages from English to Portuguese and included them in his 1945 reply to Gudin.

.....
 7 Simonsen’s personal books were donated to the Library of the State University of Campinas, which has preserved them as the “Roberto Simonsen Collection”. It is possible to see Simonsen’s reading marks in some of these volumes, among which the first edition (1944) of Landauer’s *Theory of National Economic Planning*.

Simonsen ([1945] 2010, p. 135) admitted that not until he had drafted his initial 1944 memorandum did he have the chance to access “the notable work by Professor Carl Landauer, from the University of California, about the “Theory of National Economic Planning”. According to Simonsen ([1945] 2010, p. 135), the “knowledgeable professor of economics” emphasized economic planning as the most efficient way to eliminate depressions and cyclical crises that harm the life of “progressive countries”. This stability was to be reached, Simonsen argued, as the plan would eliminate the uncertainties associated to the economic cycle. Here he quoted Landauer to suggest that the plan was the orientation of economic activity by a central organism, through a scheme that predicted, quantitatively and qualitatively, the production program to be executed within a certain period. For Simonsen, this elimination of uncertainty would, then, bring stability and “economic evolution”. Through this reference to Landauer, Simonsen presented an element that, at least in part, filled in the theoretical gap denounced by Gudin. In a way, Simonsen, the industrial leader, attempted to eschew the usual industrialist argument that an economic policy is defensible when it benefits “national industry” and adopted a more theoretical economic language. The justification for planning, in this case, came from the existence of the economic cycle: a plan was not only beneficial to the national industrial sector, but it was also the most efficient way to overcome cyclical fluctuations in general.

As for the suggestion that planning entails an authoritarian bent, Simonsen recurred to Landauer to argue that the plan had no political orientation, as it was in fact a “neutral” means to reach an end. For Gudin ([1945] 2010, p. 74), economic planning was no more than the result of a succession of mistakes related to politics. The political chaos in which the world had plunged after the outbreak of the First World War, Gudin ([1945] 2010, p. 69) argued, had created an environment favorable to the “mystification” of economic planning, in the sense that it was presented as a panacea for all economic problems. For him, the very employment of the word “plan” was confusing, as the liberal state did have to perform some tasks, but they should not be seen as part of a “plan”, a word that Gudin considered to be laden with “antidemocratic connotation”.

Simonsen sought to counter these attacks on planning by claiming, with the support of Landauer’s arguments, that “it is an error to suppose that the concept of planning is tied to antidemocratic economic and political schools” (Simonsen [1945] 2010, p. 134). In Simonsen’s opinion, the liberal state did practice economic planning, and with growing intensity, as problems, as well as the available sciences

and technologies available to remedy them, became more complex. In Simonsen's ([1945] 2010, p. 134) words: "if the expression [economic planning] is new, the practice is old". He thus presented planning as a technique, not associated to any type of government, which could be used to alter the economic reality of a country: "Planning is a technique, and not a form of government" (Simonsen [1945] 2010, p. 135). In his copy of Landauer's book, Simonsen had underlined: "economic planning, therefore, is a technique which all economic policy can use, and often will have to use, to attain its goal with any degree of certainty" (Landauer 1944, p. 118).

When Simonsen stated, with the support of Landauer, that planning was an up-to-date technique, he responded to Gudin's accusation of socialism, while attributing to planning a contemporary character. He further argued that planning was not understood by "nostalgic" men who are willing to see only the charms of the past century, which can be enjoyed in just a few, privileged nations" (Simonsen [1945] 2010, p. 135). Even in those rich nations, Simonsen insisted, the prosperity generated by *laissez faire* benefited only a limited part of the population. In sum, the assimilation of Landauer's ideas helped Simonsen to present economic planning as a way to overcome economic backwardness by structurally transforming the economy, as in the case of Brazil, and as a "neutral" instrument, useful to all countries, rich and poor, to improve the life of the masses by eliminating cyclical fluctuations.

Beyond this defense of planning associated to its alleged political neutrality and superiority in efficiency over the free market, which Landauer had already presented in his German book, Simonsen also assimilated some features of Landauer's comments on economic security. Simonsen argued that planning creates an environment of safety, favoring "the better and more efficient performance of private initiative, which is intimately connected to concept of property" (Simonsen [1935] 2010, p. 135). Furthermore, Simonsen suggested that economic planning would help to ensure the maintenance of private property, as it would potentially provide a minimum level of welfare for the voting masses and make them less likely to question this institution in a revolution.

Even though Landauer recognized the importance of private property, Simonsen's assimilation molded the argument, so that it could fit into his own discourse. Landauer had defended planning as a way to reduce the risks for the survival of democracy, but not as a means to ensure the maintenance of private property of the means of production. His argument was that private property could help economic planning to take place more smoothly. Not the contrary, as Simonsen suggested. Indeed, even after the emigration to America Landauer remained skeptical about the possibilities

of private initiative regarding economic efficiency. He described its preservation as a sort of necessary evil, supposed to avoid the degeneration of the planned society into authoritarianism. This convenient assimilation of Landauer's argument can be illuminated by the context in which Simonsen elaborated his 1945 response to Gudin.

First, he was a member of a Technical Board within a regime that had clear authoritarian and corporatist inclinations. Due to local peculiarities, historiography has hesitated to classify the Vargas dictatorial government between 1937 and 1945 as outrightly fascist, but the influences of the European authoritarian regimes of the 1930s were paramount (Fausto, 2014, p. 227; Pinto, 2020). The very institutional arrangement that enabled Simonsen to be so close to the national Executive was corporatist in nature. The members of the Technical Boards were recruited directly from representatives of the elites, assuring that groups of interest were represented in these boards that directed the country "from above". Hence, for Simonsen, at that juncture, it was not politically important to construct a strong connection between planning and liberal democracy, as Landauer had implied in his American book.

Second, Simonsen had to refute Gudin's accusation of socialism, which was rather serious for an industrial capitalist leader. Therefore, when he stressed the potential of planning, not exactly as a guarantor of democracy, but of private property, he was not only refusing the label of socialist, but also harmonizing his economic discourse with the interests of the capitalist groups he officially represented. In a word, for Simonsen planning was an instrument to overcome Brazilian backwardness (which for him meant basically industrialization) and to preserve the institution of private property. Landauer had indeed discussed how private property could interact with planning in a way virtuous for democracy, but the goal of the preservation of private property as an end in itself was ascribed to economic planning by Simonsen, not by Landauer. As it is relatively common when economic ideas are disseminated internationally, Simonsen not only used Landauer's ideas conveniently, but he also presented them in a new drapery, adapting them to his own discourse.

5 Concluding remarks

Carl Landauer's scholarly production is a product of the economic and social uncertainties of the early 20th century, which influenced not only the topics targeted and the approaches adopted, but also how his ideas circulated, were received and adapted in different national contexts. Had he not emigrated to the United States to escape political persecution, the Berkeley professor who made contributions to the

economics of planning and to the comparative study of economic systems would not have existed. In that sense, the international diffusion of ideas provides a privileged vantage point from which to present Landauer's ideas in a more comprehensive way. Furthermore, the story of the circulation of Landauer's thought in the 1930s and 1940s reveals interesting features of the construction of economic discourses by means of various types of adaptation.

It was possible to reconstruct how an economist who had opposed every attempt at reflating the German economy by means of deficit-financed public spending was not immune to the Keynesian revolution in course in the 1940s. Landauer assimilated elements of Keynes' theory of economic fluctuations and engaged with the American emerging consensus on the necessity to maintain full employment. He critically assimilated the consensus on the need to maintain full employment in a postwar economy, which helped him to legitimize his own conception of planning. Moreover, he would relax the necessity of a transition to socialism for planning to generate the desired economic results. Instead, he would start advocating a more palatable idea of "national economic planning", with the explicit aim of preserving democracy and assuring economic stability.

By doing this, Landauer adapted his discourse to an American audience. Moreover, he had to deal with the fact that, in terms of economic policy, in America "partial planning" was not exactly an alternative to "full planning", as it had been in Europe, but the viable – and, at that juncture, acceptable – alternative to "no planning", i.e., to the eventual return of unemployment after the war. In the pen of an industrialist leader such as Roberto Simonsen, this theoretical approach to planning, now associated to the "American professor" Landauer, became a useful discursive tool to counter the attack on the proposal to institutionalize economic planning in Brazil. In that sense, Landauer's ideas reached an audience in the capitalist periphery that he probably did not count on reaching. The dissemination of his ideas, it is worth mentioning, did not stop in the early 1940s. Over the course of the following decades, Landauer became one the founding fathers of comparative economic systems analysis and, in 1964, he published a textbook on this topic, which was translated in Brazil in 1966.⁸

Landauer's story reveals that shifts of national context might be decisive, sometimes essential, elements in historical reconstructions of economic thought. The nature of these processes may be quite different. Forced emigration led, in Landauer's case, to conscious discursive adaptation aimed at integrating his scholarly production into another academic community and making sense of recent developments in

.....
 8 See Landauer (1964) and Landauer (1966).

the profession. International circulation in print, on the other hand, was associated to his ideas fulfilling a purpose different from the one they were intended to fulfill. His Americanized approach to planning was adjusted to yet another agenda: the industrial development of a backward nation such as Brazil. To Landauer's defense of the plan as a neutral, scientific technique capable of delivering economic and social stability, Simonsen added his own argument that planning would operate to preserve private property of the means of production, of which Landauer was always skeptical.

References

- BAILEY, S. K. *Congress Makes a Law: The Story behind the Employment Act of 1946*. New York: Columbia University Press, 1950.
- BARAKAI A. *Nazi Economics: Ideology, Theory, and Policy*. Oxford: Berg, 1990.
- BOIANOVSKY, M. Friedrich List and the economic fate of tropical countries. *History of political economy*, v. 2, n. 4, p. 647-691, 2013.
- BORCHARDT, K. *Perspectives on modern German economic history and policy*. Cambridge: Cambridge University Press, 1991.
- BRUZZI Curi, L. F. 2015. *Entre a história e a economia: o pensamento econômico de Roberto Simonsen*. São Paulo: Alameda.
- BRUZZI Curi, L.F. and D. B. M. Lima. 2015. "Roberto Simonsen and the Brazil-U.S. Trade Agreement of 1935: economic ideas and political action". *Nova Economia* 25: 477-500.
- BRUZZI Curi, L.F. Saes, A. Cuestionando las ortodoxias: Roberto Simonsen y Wladimir Woytinsky en el ambiente intelectual del período de entreguerras. *Investigaciones de Historia Económica*, v. 11, n. 3, p. 141-152, 2015.
- BRUZZI Curi, L. F. Adolph Wagner's economic thought in Brazil: money and public finance in the turn of the 20th century." *The European Journal of the History of Economic Thought*, v. 26, n. 3, 2019, p. 464-501.
- BRUZZI Curi, L.F.; CUNHA, A. M. Redimensionando a contribuição de Roberto Simonsen à controvérsia do planejamento. *América Latina en la Historia Económica*, v. 22, n. 3, p. 76-107, 2015.
- CALDWELL, B. *Hayek's challenge: an intellectual biography of F.A. Hayek*. Chicago: Chicago University Press, 2004..
- CARDOSO, J.L. Reflexões periféricas sobre a difusão internacional. *Nova Economia*, v. 19, n. 2, p. 251-265, 2009.
- CARDOSO, J.L. Circulating economic ideas: adaptation, appropriation, translation, in CUNHA, A.M; SUPRINYAK, C. E. *The political economy of Latin American independence*. Abingdon: Routledge, 2017.
- CRUZ E SILVA, V.; CAVALIERI, M.; CURADO, M.. On the transmission of Keynes' and Keynesian ideas in Brazil through Eugénio Gudin's *Principles of Monetary Economics*. *The European Journal of the History of Economic Thought*, v. 28, n. 1, p. 83-102, 2021.

- EVANS, R. *The Coming of the Third Reich*. New York: Penguin Press, 2003.
- FAUSTO, B. *A concise history of Brazil*. Trans. Arthur Brakel. New York: Cambridge University Press (E-book), 2014.
- FEINSTEIN, C.; TEMIN, P.; TONIOLO, G. *The European economy between the wars*. Oxford: Oxford University Press, 2008.
- GARVY, G. Keynes and the Economic Activists of Pre-Hitler Germany. *Journal of Political Economy*, v. 83, n. 2, p. 391-405, 1975.
- GOUREVITCH, P. *Politics in hard times*. London: Cornell University, 1986.
- GUDIN, E. “Rumos de política econômica” In *A controvérsia do planejamento na economia brasileira*. 3rd ed. Brasília: IPEA, [1945] 2010.
- HAGEMANN, H.; KROHN, C.-D. “Emigration der Wirtschaftswissenschaften – Einleitung, in Hagemann, H.; Krohn, C.-D. (eds.). *Biographisches Handbuch der deutschsprachigen wirtschaftswissenschaftlichen Emigration nach 1933*. München: Saur, 1999.
- HAGEMANN, H. European émigrés and the ‘Americanization’ of economics. *The European Journal of the History of Economic Thought*, v. 18, n. 5, p. 643-671, 2011.
- HANSEN, A. H. *After the war – full employment*. Washington, DC: National Resources Planning Board, 1943.
- HOBBSBAWM, E. *The age of extremes: the short twentieth century, 1914-1990*. London: Abacus, 1994.
- KLAUSINGER, H. German anticipations of the Keynesian revolution: the case of Lautenbach, Neisser and Röpke. *The European Journal of the History of Economic Thought*, v. 6, n. 3, p. 378-403, 1999.
- KLAUSINGER, H. Gustav Stolper, Der deutsche Volkswirt, and the Controversy on Economic Policy at the End of the Weimar Republic. *History of political economy* v. 33, n. 2, p. 242-267, 2001.
- LANDAUER, C. Ankurbelung oder Inflation?, *Der Deutsche Volkswirt* v. 5, n. 51, p. 1707-11, 1931a.
- LANDAUER, C. *Planwirtschaft und Verkehrswirtschaft*. München & Leipzig: Duncker & Humblot, 1931b.
- LANDAUER, C. “Dauerkrise oder Konjunkturwelle?”. *Der Deutsche Volkswirt* n. 5, v. 20, p. 635-637, 1931c.
- LANDAUER, C. Hände weg von der Währung!, in Landauer, C; HAHN, L.A.; STOLPER, G. (eds.). *Anti-Wagemann*. Berlin: Verlag des Deutschen Volkswirts. 1932.
- LANDAUER, C. A Break in Keynes’ theory of interest. *The American Economic Review*, v. 27, n. 2, p. 260-266, 1937.
- LANDAUER, C. A Note on “A Break in Keynes’s Theory of Interest: Reply by Mr. Landauer. *The American Economic Review*, v. 28, n. 2, p. 314-318, 1938.
- LANDAUER, C. Economic Planning and the Science of Economics: Comment. *The American Economic Review*, v. 31, n. 4, p. 825-831, 1941.
- LANDAUER, C. *The theory of national economic planning*. Berkeley: University of California Press, 1944.
- LANDAUER, C. *Contemporary economic systems: a comparative analysis*. New York: Lippincott, 1964.

- LANDAUER, C. *Sistemas econômicos comparados: uma análise comparativa*. Rio de Janeiro: Zahar, 1966.
- LAVOIE, Don. *Rivalry and central planning: the socialist economic debate reconsidered*. Cambridge: Cambridge University Press, 1985.
- LERNER, Abba. "Some thoughts on Landauer's *Theory of National Economic Planning*", in GROSS-MAN, G. *Essays in Socialism and Planning in Honor of Carl Landauer*. Englewood Cliffs: Prentice-Hall, 1970.
- LOVE, J. *Crafting the third world: theorizing underdevelopment in Rumania and Brazil*. Stanford: Stanford University Press, 1996.
- MANOÏLESCO, M. *The theory of protection and international trade*. London: King & Son, 1931.
- MISES, L. "Die Wirtschaftsrechnung im sozialistischen Gemeinwesen." *Archiv für Sozialwissenschaft und Sozialpolitik*, v. 47, p. 86-121, 1920.
- PEGRUM, D.F. Economic Planning and the Science of Economics. *The American Economic Review*, v. 31, n. 2, p. 298-307, 1941.
- PINTO, A.C. Brazil in the Era of Fascism: the 'New State' of Getúlio Vargas, in IORDACHI, C; KALLIS, A. (eds.). *Beyond the Fascist Century: Essays in Honour of Roger Griffin*. London: Palgrave Macmillan, 2020.
- RIETER, H.; SCHLÜTER-Ahrens, R. Landauer, Carl, in Hagemann, H.; Krohn, C.-D. (eds.). *Biographisches Handbuch der deutschsprachigen wirtschaftswissenschaftlichen Emigration nach 1933*. München: Saur, 1999.
- RILEY, R. A Note on 'A break in Keynes' theory of interest. *The American Economic Review*, v. 28, n. 2, p. 312-314, 1938a.
- RILEY, R. A Note on 'A Break in Keynes's Theory of Interest': Rejoinder by Mr. Riley. *The American Economic Review*, v. 28, n. 2, p. 318-319, 1938b.
- ROSCHER, W. *Grundlagen der Nationalökonomie: ein Hand- und Lesebuch für Geschäftsmänner und Studierende*. Stuttgart: Cotta, 1897.
- SCHUMPETER, J.A. *History of economic analysis*. London: Routledge, [1954] 2006.
- SCHUMPETER, J.A. Rezension von: Landauer (1923), *Weltwirtschaftliches Archiv*, v. 27, 1928.
- SIMONSEN, R.C. *Aspects of national political economy: address delivered in the Federal Chamber of Deputies on the 11th September 1935*. São Paulo: The Author, 1935.
- SIMONSEN, R.C. *História econômica do Brasil*. São Paulo: Companhia Editora Nacional, 1937.
- SIMONSEN, R.C. *Brazil's industrial Evolution*. São Paulo: Escola Livre de Sociologia e Política, 1939.
- SIMONSEN, R.C. A planificação da economia brasileira, in *A controvérsia do planejamento na economia brasileira*. 3rd ed. Brasília: IPEA, [1944] 2010.
- SIMONSEN, R.C. O planejamento da economia brasileira – Réplica ao Sr. Eugênio Gudín, in *A controvérsia do planejamento na economia brasileira*. 3rd ed. Brasília: IPEA, [1945] 2010.
- STEIN, Herbert. *The fiscal revolution in America*. Washington, D.C.: The AEI Press, 1990.
- TOMO, S. Beyond Roscher or not? A reappraisal of Menger's and Böhm-Bawerk's contributions to the theory of interest. *Journal of Economic Studies*, v. 22, p. 127-133, 1995.

WEIR, M.. "Ideas and Politics: the Acceptance of Keynesianism in Britain and the United States", in HALL, P. (ed.). *The Political Power of Economic Ideas: Keynesianism across Nations*. Princeton: Princeton University Press, 1989.

WOYTINSKY, W. *Stormy passage*. New York: The Vanguard Press, 1961.

About the author

Luiz Felipe Bruzzi Curi – luizfelipefb@cedeplar.ufmg.br

Centro de Desenvolvimento e Planejamento Regional, Universidade Federal de Minas Gerais, Belo Horizonte, MG, Brasil.

ORCID: <https://orcid.org/0000-0001-6477-1507>

Acknowledgments

I would like to thank the participants of the Workshop "The Political Economy of Uncertainty", held at Cedeplar/UFGM in March 2024 by the Jean Monnet Chair "PostPan", not only for their productive discussion of this paper, but also for a very pleasant time together in Belo Horizonte. Furthermore, I thank Harald Hagemann for sharing with me his vast knowledge of the German scientific emigration in the 20th century and helping me to find sources for this research. The usual disclaimers apply.

Author's contribution

research, writing, and text revision

About the article

Received on May 31, 2024. Approved on September 19, 2024.

The Political Economy of Uncertainty (Special Issue)

The realization of this Special Issue of Nova Economia and the Workshop in which the articles were previously presented and discussed were made possible thanks to the synergies of two research projects: the Jean Monnet Chair – "European Cooperation in a post-pandemic world: History and contemporary challenges in a global perspective" - PostPan (project number 101048203), co-funded by the Erasmus+ Program of the European Union; and the research project "The political economy of uncertainty: reflections on crisis, planning, risk and cycles from the inter-war period to contemporary challenges" (project number 406296/2023-5), funded by the Brazilian National Council for Scientific and Technological Development (CNPq). The organizers thank the institutions involved for their support.

Disclaimer: Funded by the European Union. Views and opinions expressed are however those of the author(s) only and do not necessarily reflect those of the European Union or the European Education and Culture Executive Agency (EACEA). Neither the European Union nor EACEA can be held responsible for them.



Funded by
the European Union

