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- ✦ D. North's first trip to an underdeveloped country: Brazil, in June 1961
 - ✦ *Alliance for Progress*, an ambitious diplomatic project of the Kennedy administration
 - ✦ American interest in the poor Northeast region of Brazil
 - ✦ Cold War context
 - ✦ North delivered lectures in Rio and met Celso Furtado at SUDENE's headquarters in Recife

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- ✦ North wrote two memoranda about the Northeast and kept a diary of his travels in Brazil
 - ✦ Full of remarks about Brazilian society, economists and government
 - ✦ He came back to that in the 1980s and 1990s, in his institutionalist analysis of growth in poor countries
 - ✦ What is the role of traveling, if any, in the HET?
 - ✦ First important travel diary published: Malthus (1966)

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- ✦ Past HES President George Stigler (1976) disputed its relevance
 - ✦ “No important economic idea of which I have ever heard had an empirical debt to foreign (or domestic) travel”
 - ✦ Herbert Simon’s (1991) Travel Theorem
 - ✦ If journeys are indeed undertaken, the reason are and should be other than just gathering information

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- ✦ The case of anthropology (Lévi-Strauss’ 1955 *Tristes Tropiques*)
 - ✦ L von Mises (1962): economists are not like anthropologists
 - ✦ “The economist need not displace himself; he can, in spite of all sneers, like the logician and the mathematician, accomplish his job in an armchair “
 - ✦ Armchair theorists vs. armchair observers

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- ✦ Origins of the Greek term *theorein*: to theorize, one leaves home
 - ✦ Travel writing and travelogues are based on the notion of otherness, a binary opposition between home and elsewhere
 - ✦ D. Hume saw theory as a “home on the road to knowledge”, protecting it against the contamination of the strange or the Other
 - ✦ Mises not so far from Hume and classical economists

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- ✦ Otherness is a matter of degree, as shown by studies of “national character”
 - ✦ Despite their general protective attitude towards established theory, economists have traveled widely and gained important new insights
 - ✦ That is particularly the case when economists travel to new places or events while their theoretical frameworks are yet in their initial stages, not fully elaborated or undergoing changes

2. A tour of economists' travels

- ✦ European economists of the 18th and early/mid 19th centuries usually restricted their travels to their own continent
- ✦ Costs and risks of traveling long distance
- ✦ Classical economists never travelled to India or China
- ✦ They read travel reports, often unreliable
- ✦ F. Bernier (1699) as a source for R. Jones and K. Marx

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- ✦ British classical economists did not travel to Australia either, which was more an abstraction than a living reality at the time
 - ✦ W.S. Jevons migrated to Australia from 1854-59
 - ✦ Awakened his approach to economics as a mathematical science
 - ✦ Beatrice and Sydney Webb were not well-impressed when they visited Australia in the 1890s

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- ✦ F. List's exile in the US in the 1820s was instrumental for the development of his nationalist approach to growth
 - ✦ Harriet Martineau toured America in 1834-36, which led to three pioneer books on economic sociology
 - ✦ J. Courcelle-Seneuil was the first economist to spend time in South America in the post-colonial period (Chile, 1855-63)
 - ✦ An early example of "money doctors"; free-banking doctrine

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- ✦ It was not just ideas that travelled, but economists themselves
 - ✦ Nassau Senior was the most active traveller among classical economists (1855-58 to the Mediterranean area)
 - ✦ Apparent contradiction with his armchair "ultra-deductive" methodology
 - ✦ Senior's investigation (often biased) of national characters, a field started by Hume in his continental travels

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- ✦ The 18th century “Grand Tour”: J. Steuart and A. Smith (as tutor); Steuart also traveled to the continent for exile
 - ✦ Important but distinct influences on Steuart’s *Principles* and Smith’s *Wealth of Nations*
 - ✦ D. Diderot’s 1766 travel to St Petersburg invited by Catherine the Great, to advise her on economic (and other) matters
 - ✦ Arthur Young was the most widely read economic travel writer of the 18th century, maybe ever

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- ✦ Malthus’s 1799 field trip to Scandinavia led to the introduction of “prudential checks” in his population theory
 - ✦ Malthus and Young issued “instructions for travellers” to India and China
 - ✦ A. von Humboldt’s was the first scientific traveller and travel writer (New Spain, 1799-1804)
 - ✦ 19th century science was Humboldtian science (Darwin, Wallace, Tocqueville, etc.)

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- ✦ Humboldt's detailed reports of his travels to New Spain (Mexico) caught the attention of classical economists, especially Malthus
 - ✦ Traveling to Great Britain (not just from there) was also important in the 19th century, as illustrated by Engels' (1842-45) and Marx's periods in Manchester
 - ✦ Traveling to America intensified after the 1870s
 - ✦ A. Marshall's (1874) tour to the US and Canada played an important role in his professional life

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- ✦ The American trip made on [Marshall] a great impression, which colored all his future work. He used to say that it was not so much what he learnt, as that he got to know what things he wanted to learn; that he was taught to see things in proportion; and that he was enabled to expect the coming supremacy of the United States, to know its causes and the directions it would take. (Keynes [1924] 1972, p. 176)

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- ✦ M. Weber's 1904 visit to America provided decisive evidence for the second part of his *Protestant Ethic and the Spirit of Capitalism*, published later that year
 - ✦ It was during his visit to American industrial plants in 1931-32 that R. Coase devised the hypothesis fully elaborated in his famous 1937 article
 - ✦ Schumpeter's 1908 experience with technical innovation at a sugar refinery in Cairo made a great impression on him
 - ✦ Traveling in the 20th century to socialist and developing countries

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- ✦ Keynes's 1925 brief visit to Russia marked the beginning of his mature political views (*A short view of Russia*)
 - ✦ His "vision" (Schumpeter) was formed during his participation at the 1919 Paris Peace Conference
 - ✦ Forty years after Keynes, T. Koopmans was the first official academic visit to the USSR after WWII; it prompted his interest in comparative economic systems
 - ✦ E. Domar had visited the country in 1959

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- ✦ Political pilgrimage and the search for Utopia became important features of Western intellectual travellers to socialist countries from the 1920s to the 1970s
 - ✦ Joan Robinson's frequent travels to China from the 1950s on left a mark on her work about the choice of techniques and a "rational price system"
 - ✦ Her interest in developing countries started in 1926-28, when she accompanied Austin Robinson to India
 - ✦ Traveling to poor India in 1951 also changed permanently Tinbergen's research agenda

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- ✦ Hirschman's 1958 *Strategy of economic development* resulted from his 1952-56 period in Colombia and 1957 visit to Brazil (it was not just field work)
 - ✦ Money doctor J. Polak went to Mexico in 1955 on an IMF mission, which led to his development of the monetary approach to the balance of payments
 - ✦ W. Stolper kept a diary of his stay in Nigeria as planner in 1960-62, and later published articles and books about the country
 - ✦ M. Bronfenbrenner's experience in post-war Japan is probably the most dramatic illustration of the effects of traveling

3. Douglass North's Brazilian experience

- ✦ North's host in Rio in 1961 was E. Gudin, who since the late 1940s had invited prominent economists to come and give lectures
- ✦ The list included Haberler, Viner, Nurkse, Singer, Robbins, Kaldor, Higgins and Boulding
- ✦ All lectures were published in *Revista Brasileira de Economia*
- ✦ North came to Brazil as a neoclassical expert on regional economic growth

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- ✦ His diary records what he saw in the Brazilian cities he visited
 - ✦ Rio combined favelas (shack towns) with nice residential areas; "forced to admit that Rio is the most beautiful city I've ever seen"
 - ✦ Brasilia was "fantastic, sensational"
 - ✦ However, its construction faced high costs: "Nobody but the Brazilians would have such an utter disregard for costs and economic efficiency"

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- ✦ His visit to the capital showed that “Government intervention and control are everywhere and for the most part inefficient and not responsive to any kind of efficiency measures and standards”
 - ✦ Parts of Fortaleza were quite pretty, but the side of the city that “reflects the Northeast problem” displayed many unemployed idle people
 - ✦ Recife was “clearly a desperate poor area”
 - ✦ São Paulo was the exception (“it could be Chicago”), with its market spirit contrasting with bureaucratic planning elsewhere

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- ✦ North’s lectures in Rio reflected in part his travels through the country. “I’m putting more and more stress in my talks on the nature of economic efficiency as the essential ingredient in development. The Brazilian hodgepodge of economic organization does not permit a price system to work well and they don’t know how to plan efficiently either. The result: a gigantic mess”
 - ✦ North was intrigued by Celso Furtado’s personality, regarded as a leftist or communist by the American Embassy

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- ✦ However, he was well impressed by Furtado when he finally met him in Recife
 - ✦ The main topic of discussion was emigration of Northeast over-population to other areas
 - ✦ Before the meeting, North had read a previous development plan drafted by Furtado, which showed the “insidious influence of CEPAL”
 - ✦ North shared the American government’s hostility towards CEPAL’s heterodox economic ideas and policy

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- ✦ North’s (1955, 1959, 1961) model of regional economic growth was based on the effects of exports on regional markets
 - ✦ He explicitly assumed away Malthusian population pressure from the model
 - ✦ His emphasis on overpopulation as the determinant cause of poverty in the Brazilian Northeast was a main novelty
 - ✦ His approach represented an adaptation of the so-called Harrod-Domar growth formula without substitution between labor and other factors

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- ✦ Emigration would bring about rising real wages in the Northeast, followed by adoption of more capital-intensive agricultural production methods
 - ✦ North saw SUDENE as formed by “an enthusiastic group of younger people who have unbound faith in the growth of Brazil. This spirit is an important asset. Most of them are leftists; they have little confidence in a price system; they do not know enough about economic efficiency to plan correctly. In short, the results are going to be fumbling and blundering, although I have no doubt that their enthusiasm will ultimately prevail”

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- ✦ However, he was disappointed at the planning document Furtado prepared for his meeting with Kennedy
 - ✦ North criticized Furtado’s hypothesis that the main obstacle to the development of the Northeast was the higher cost of food production in the region, as compared to the Southern states, which reflected on real wage costs
 - ✦ “Furtado suffered from a delusion which is as old as David Ricardo’s first principles. This is the view that the limiting factor in the growth of an economy is the supply of foodstuffs”
 - ✦ The main obstacles to the industrialization of the region were its small market and the low quality of the labor force

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- ✦ In his Rio lecture on planning North criticized the view that external economies and diseconomies could disappear through “a legal structure in which firms and groups could recapture the gains or incur the costs which affect other groups”
 - ✦ This was an early comment on Coase (1960)
 - ✦ North described his experience in Brazil as “very brief but arduous”

4. The end of our journey



- ✦ North would not engage into discussion of economic underdevelopment until the 1980s
- ✦ Before that, he treated growth failures as an “anomaly” resulting from the unexplained persistence of inefficient economic institutions
- ✦ Malthusian population pressure, firstly mentioned by North in Brazil, became an important element of his 1970 hypothesis about institutional evolution

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- ✦ Institutions are relevant because of the presence of transaction costs, which makes property rights essential
 - ✦ The Coase theorem is wrong, as North often asserted in the 1980s, after his visit to Peru in 1980
 - ✦ The long-run comparative economic performances of North America and Latin America provide, according to North, the best evidence of the importance of institutions for economic growth
 - ✦ Latin American countries were characterized by centralized bureaucratic control and “personalistic” exchange relationships

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- ✦ North observed many of those features first-hand in his travel to Brazil. That is also true of the role of “beliefs” and “ideologies” in explaining the persistence of institutions
 - ✦ North “played God” in attempting to improve performances of transition and third world economies (2005, p. 67, n. 5)
 - ✦ The first time he played God was in Brazil, when it became clear to him that local experience added much to plain numbers
 - ✦ Goethe’s notion of “visual perception”

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- ✦ History of economics is richer to the extent that it takes into account economists' travels as one of the factors behind the construction, interpretation and consumption of economic theories
 - ✦ Economists have been inspired by two classic books of travel fiction: *Utopia*, by T. More and *Robinson Crusoe*, by D. Defoe
 - ✦ The 2003 *Literature of travel and exploration – an encyclopedia* mentions only one economist: Arthur Young
 - ✦ Routledge series on travel writing will finally include a volume on economics

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- ✦ Since the 1970s, China has become a favorite destination of traveling economists, such as J. Galbraith (who wrote a travelogue in 1973), M. Friedman, K. Arrow and, J. Tobin (see Gewirtz 2017)
 - ✦ “My purpose in making this wonderful journey is not to delude myself but to discover myself in the objects I see. Nothing, above all, is comparable to the new life that a reflective person experiences when he observes a new country. Though I am still always myself, I believe I have been changed to the very marrow of my bones” (Goethe, 1816-17, p. 57)