

Waves of neoliberalism: Revisiting the Authoritarian Patterns of Capitalism in South America (1940-1990)

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Traditional Narrative:

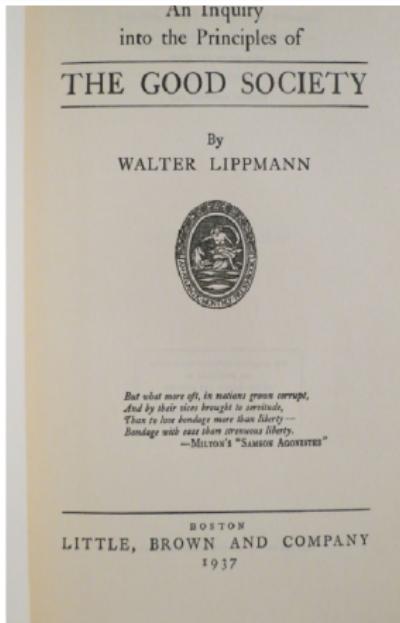
- Neoliberalism = child of the Cold War, instrument of imperial expansion of the USA
- The ideal type of the Chilean Chicago-Boys, the aid of the American CIA (1973).
- Foxley (1982), Valdés (1995), and Clark (2017): transfer of ideas (unidirectional).

Alternative Narrative:

- Neoliberalism= institutions and discourse that domestic economic actors implemented, exported as blueprint.
- Common understanding of fiscal and monetary policies, the role of the State, business legislation, foreign aid.
- Mirowski and Plehwe (2009), Reinhoudt and Audier (2018), Slobodian (2018), Romero (2019): WLC and MPS (network)

Neoliberalism as a common-sense

Walter Lippmann Colloquium (1938)



Following the publication in 1937 of Walter Lippman's "An Inquiry into The Principles of the Good Society", the first symposium on liberalism was held in Paris from the 26th to the 30th of August 1938. It brought together personalities as Raymond Aron, Auguste Detoeuf, Friedrich von Hayek, Ludwig von Mises, Lionel Robbins, Willem Röpke, Marcel van Zeeland, Robert Marjolin, Louis Baudin, Jacques Rueff and Louis Rougier.

Neoliberalism as a common-sense

Mont-Pèlerin Society (1947)



Milton Friedman, George Stigler, and Aaron Director at the founding meeting of the Mont Pèlerin Society.

Credits: Hoover Institution (1947).



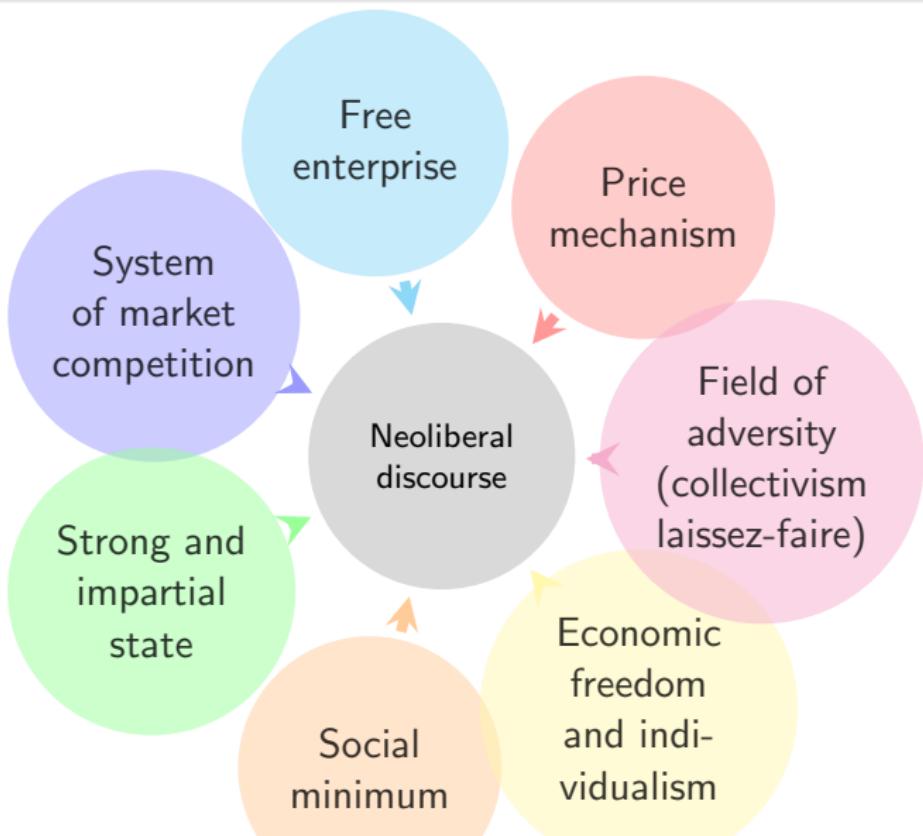
Upper-left: Friedrich Hayek, Fritz Machlup.

Bottom-left: Frank H. Knight

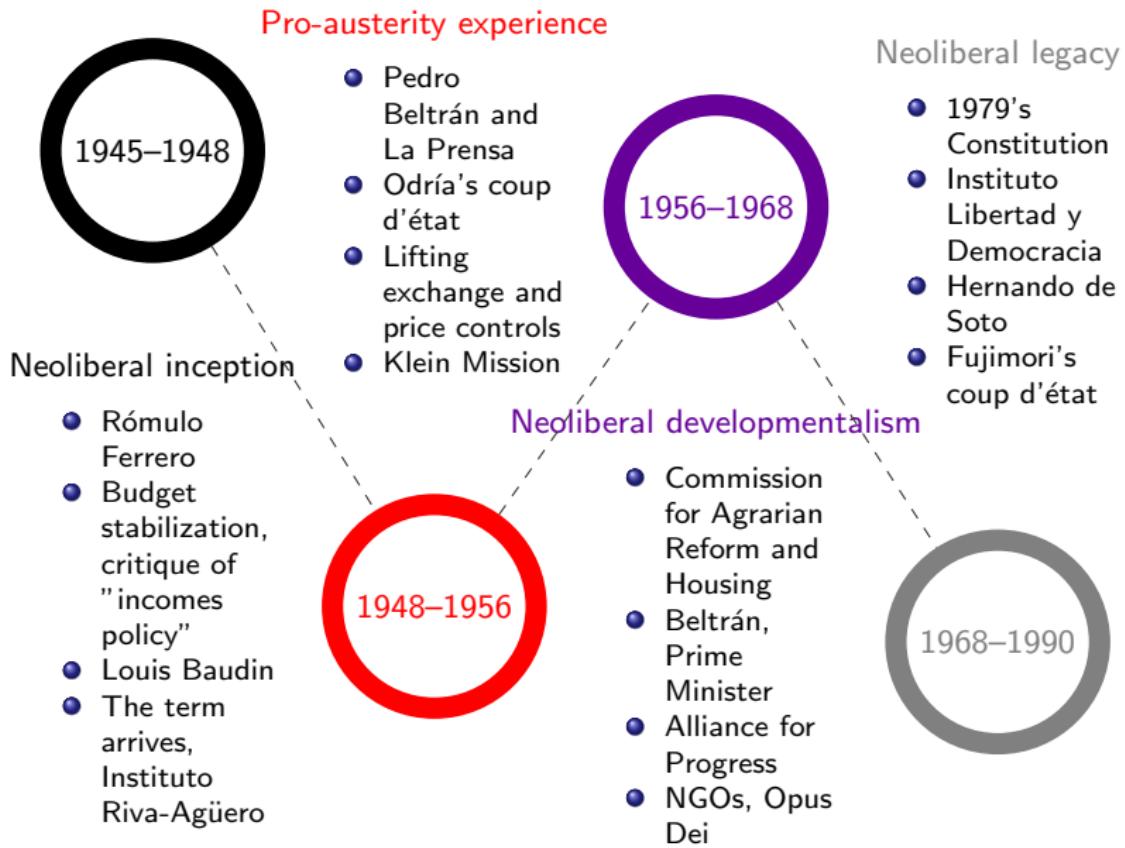
Members of the Mont Pèlerin Society at the founding meeting.

Credits: Mirowski and Plehwe (2009)

Neoliberalism as a common-sense



Waves of neoliberalism in Peru



An issue of personalities: discourse and actions

Louis Baudin, the introduction of the term and the debate on economic systems



Figure: La Prensa, "Louis Baudin talked to us about neoliberalism, a new developing ideological trend" (05/16/1947).

An issue of personalities: discourse and actions

Louis Baudin, the introduction of the term and the debate on economic systems

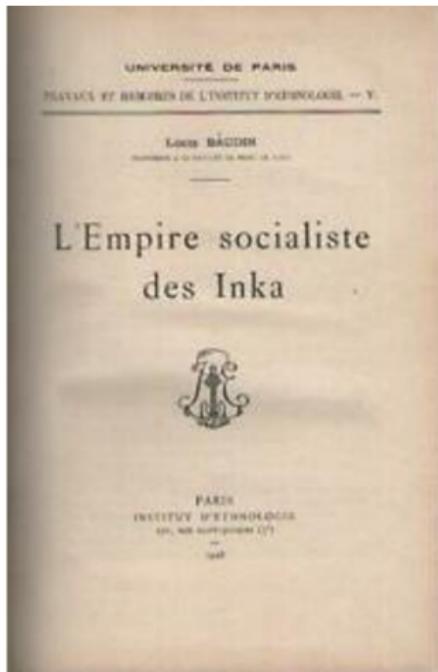
- Founder of the Centre international d'études pour la rénovation du libéralisme (CIRL) (1938)
- September 1939: 25th International Congress of Americanists
- Conferences at the Instituto Riva-Agüero of the PUC (Lima): 1947
- Vice-president of the MPS in 1958.
- Professor of Political Economy at the Faculty of Law and Economics at Paris.
- President of the Société d'économie politique (1946-1950).



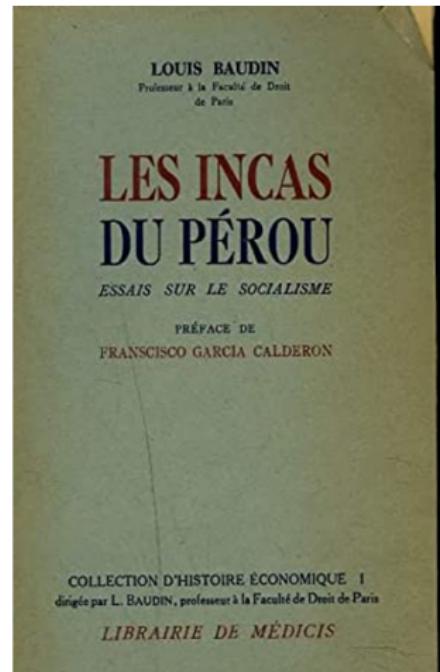
Figure: Instituto Riva Agüero-Pontificia Universidad Católica del Perú (05/1947).

An issue of personalities: discourse and actions

Louis Baudin, the introduction of the term and the debate on economic systems



1928



1947

Baudin's ideas

An issue of personalities: discourse and actions

Pedro G. Beltrán, a mind on free market policies and developmentalism

- Laws at King's College of London (1913). Bs.C. in Economics, London School of Economics (1914-1918)
- Peruvian oligarch (investments in agriculture [cotton and sugar, hacienda Montalvan] and oil industries).
- Head of the Sociedad Nacional Agraria (SNA), the guild of agriculture exporters of Peru (1927-1934).
- Vice Chairman of the Peruvian Central Bank (1930-1933).
- Peruvian Ambassador at the U.S.A. (1944-1945)
- Head of the Peruvian Delegation at Bretton Woods Conference (1944).
- Publisher and owner, with agriculture producer Augusto Gildemeister, of the newspaper La Prensa (1934-1984).



An issue of personalities: discourse and actions

Pedro G. Beltrán, a mind on free market policies and developmentalism

- Beltrán and Augusto Gildemeister conspired against elected president José Luis Bustamante y Rivero (1945-1948) and supported the coup d'état of Manuel Odría (Restorative Revolution, October 27th, 1948)
- Odría appointed Beltrán as a Chairman (1948-1950) of the Peruvian Central Bank.
- Chief of the Commission for Agrarian Reform and Housing (1956-1958)
- Minister of Finance and Prime Minister of Peru (1959-1961) during the government of Manuel Prado Ugarteche.
- Representative of the Latin American countries before US during the Inter-American Economic Conference in Punta del Este (1961).



Beltrán's ideas

An issue of personalities: discourse and actions

Rómulo Ferrero, a pro-austerity economist



- B. A. in Agricultural Engineering, National School of Agriculture and Veterinary (1929). Doctor in Economic Sciences, Pontificia Universidad Católica (1940).
- Technical advisor of the Agrarian Bank of Peru
- Faculty and Chair of Economics in the Pontificia Universidad Católica: Agriculture Economics, Monetary and Banking Economics (1942-1948).
- Minister of Finance (1945, 1948), Minister of Agriculture (1948).
- Advisor in the Chamber of Commerce of Lima (CCL) (1948-1975). Founder and chair of the CCL Economic Research Center (1949).
- President of the Institute for the Agrarian Reform and Colonization(1960-1961).
- Prolific scholar with a scientific production covering the time period 1929-1973.

An issue of personalities: discourse and actions

Rómulo Ferrero, a pro-austerity economist



Ferrero's ideas

- Vice Chair (1962) and Chair (1967-1975) of the Board of Trustees of the Universidad del Pacífico.
- Advisor (1961-1965) and board Member (1968-1969) of the Peruvian Central Bank.
- CEO of the Lima Saving Banks (1962-1968) Board Member of the Peruvian Credit Bank (1969-1975)
- Member (1953-1965) and chair (1960) of the ILO International Agrarian Commission
- Chair of the Economic Policy Committee of the Consejo Interamericano de Comercio y Producción (CICYP) (1966-1970)
- Visiting Scholar at St. Gallen University and the Graduate Institute of International and Development Studies (1963) and the London School of Economics (1967)
- First Peruvian member of the Mont Pèlerin Society (1958)

Economic policy events

Free market policies during the late 1940s

- July 1945: Beltrán was doubtful about the positive economic performance of Bustamante y Rivero's government.
- July-October 1945: Ferrero as Ministry of the Treasury proposed a plan to reduce the government deficit and the public debt → APRA's senators did not approve him (criticism on Keynesian fiscal policies).
- 1947: La Prensa newspaper attacked the government because of the higher inflation and the rise of public deficit.
 - Inflation: 1946 (9.4%); 1947 (29.4%); 1948 (30.8%)
- Bustamante y Rivero's policy of exchange controls backed up by APRA → deterioration of imports: dollars scarcity
- Executive Order Sept. 6th, 1948 (signed by Minister Ferrero, Sept.-Oct. 1948) → system of dollar certificates.

Economic policy events

Free market policies during the late 1940s

- Oct. 27th, 1948: Odría's coup d'état (The Restorative Revolution)
- Dec. 4th, 1948: Odría's Decree-Law 10905 a new system of foreign exchange certificates (Central Bank takes 45% of the foreign currency coming from the exports).
- Nov. 5th 1949: Report of Klein's Mission
- Nov. 11th 1949: Decree-Law 11208 abolishing DL 10905, suppressed the intervened parity, the price controls, the basic subsidies and increased wages and salaries.
- Nov. 18th 1949: Odría mentioned the new decree represented the “beginning of the great battle for the economic liberation of the country”.

Economic policy events

Free market policies during the late 1940s

Neoliberal networking

- Henry Hazlitt
 - Through the private investor Douglas H. Allen, Hazlitt contacted Beltrán on September 24th, 1948.
 - Hazlitt wrote two articles for the **Newsweek** siding the position of La Prensa about the necessity of lifting exchange controls: 'Exchange Control in Peru' (12-06-1948) and 'Exchange Control vs Peru' (12-13-1948)
- Ludwig von Mises
 - In April 1950, Beltrán invited von Mises to give conferences at Lima with the financial aid of the Peruvian Central Bank
 - The visit of von Mises support the type of monetary policies that Beltrán implemented in the Central Bank.
 - April 3rd (CB): monetary stability, the control of inflation and the right way to structure policies in favor of financial stability.
 - April 13th (UNMSM): "Plans for Economic Unification"

Visit of von Mises

Economic policy events

Free market policies during the late 1940s

Neoliberal networking

- **The Freeman Magazine**

- April 21st, 1952: Oswaldo Buonanni's *Economic Miracle in Peru*: economic recovery as the direct effect of the abolition of exchange controls and new free exchange system is the economic normality for US lenders
- January 25th, 1954: Stanley High's *Peru's Economic Comeback*
- February 1959: Inflation in underdeveloped countries – a luxury the people can ill afford

- **Ferrero as the first Peruvian at the MPS (Sep 1958, Princeton)**

- Nov 15th, 1957: Hayek invited Ferrero to the MPS.
- Noon session of September 10th, Ferrero discussed on inflation and monetary policy.
- Afternoon session of September 12th, Ferrero focuses on agricultural economics.
- September 13th, he reacted to P. T. Bauer's paper: "The New Orthodoxy of Economic Development".

Economic policy events

Neoliberal development in 1960s Peru

- 1956-1958: Beltrán is appointed chief of the Commission for Agrarian Reform and Housing
- Institutional vehicle for Beltrán to create housing projects based on the principle of self-help, expansion of the private financial sector (microfinance, Mutuales de Vivienda) —> get a casa propia (own house).
- Beltrán's program: tied the poor to the economic system, increase their respect for the private property and reduce their appeal to radical discourses (Collier 1976, 78).



Figure: La Prensa (09/25/1960)

Economic policy events

Neoliberal development in 1960s Peru

- 1959-1961: Beltrán, as a Ministry of Finance, has the main objectives to recover fiscal equilibrium and diminishing of inflation.
- June 1959: Beltrán visited Eisenhower in the White House to negotiate American lines of credit issued by the Export-Import Bank (US\$ 51.2 million) and the Development Loan Fund (US\$ 2 million).



Ike y Beltrán en la Casa Blanca

El Primer Ministro del Perú, Pedro G. Beltrán, conversa con el Presidente norteamericano Dwight Eisenhower en el salón de recepciones de la Casa Blanca, durante la entrevista que sostuvieron ambos el pasado jueves 9. Beltrán declaró posteriormente que habían tratado sobre asuntos generales del hemisferio y que se encontraba "muy satisfecho". (Foto UPI)

Figure: La Prensa (06/12/1960)

Economic policy events

Neoliberal development in 1960s Peru

- The later amount was credited in favor of the Peruvian private Mutual Savings and Loans Association (Department of State, Memorandum for the President, 07-26-1960.)
- Beltrán convinced Eisenhower that development loans were a tool to assist the lower classes and stop the advance of Cuba. Eisenhower “(. . .) man must be given and opportunity for both spiritual and material development.” (Department of State, Memorandum of Conversation, 06-09-1960.)
- Model for development aid for the US to stop the communist advance in Latin America.
- March 1961: Beltrán urged the U.S. government to step forward protecting the hemisphere from the advance of Cuba during a speech at the UCLA.

Economic policy events

Neoliberal development in 1960s Peru

- August 1961: JFK announced the American commitment to support Latin American countries as a way as "free nations meet the human and material problems of the modern world" during the Inter-American Economic and Social Conference at Punta del Este.
- The US decided to allocate more than US\$ 20 billion to financial aid for Latin America.
- American endorsement of the Charter of Punta del Este, which exclude Fidel's Cuba from the Declaration of Democratic Principles and the begining of the Alliance for Progress (New York Times, 08-15-1961)



United Press International/Radiophoto
CONGRATULATIONS ARE IN ORDER: Douglas Dillon, left, Secretary of the Treasury, with Premier Pedro G. Beltran of Peru yesterday after Inter-American economic conference unanimously approved amended version of the Alliance for Progress that was introduced by Peru.

Figure: The New York Times (08-17-1961). Page 1, 3

Economic policy events

Neoliberal development in 1960s Peru

Neoliberal networking

- In his article published in the Frankfurter Allgemeine Zeitung (06-04-1960), Röpke attacks the threatening of the collectivist-inflationist economic policy, which was common to the European experience.
- “[On price freedom] This approval, which I found in the most colorful way, finally accepted in Lima, where, after one of my lectures, an Indian of the purest blood, with a face full of character and blue-black hair, approached me and told me that he was a real descendant of the ancient Incas, but regardless of the collectivism of his ancestors, he must vigorously agree.” [Author's translation.]
- March 30th 1960: Wilhelm Röpke visited Peru, Rómulo Ferrero: two conferences (Chamber of Commerce and Central Bank)



Figure: La Prensa 03/30/1960

Economic policy events

Neoliberal development in 1960s Peru

Neoliberal networking

- In 1962, the MPS, edited a compilation about Latin American affairs: "Lateinamerika-Land der Sorge und Der Zukunft" (Latin America - Country of Concern and the Future.)
- Two chapters were devoted to Peru:
 - Louis Baudin's Geschichte and Kultur (History and Culture)
 - Max Reiser's Das Experiment Perus – Die Anwendung neoliberaler Ideen in einem Entwicklungsland (The Peruvian experiment - The application of neoliberal ideas in a developing country.)
- "Beltrán takes advantage of modern liberalism, which is known in our time to form the basis of the economic development of the United States and without which the so-called "German economic miracle" would never have been possible. [...] As a faithful Catholic, Beltrán believes in the eternal values of Christian doctrine; one more reason to embrace neoliberal theories, which make it possible to reconcile technology with human life conditions in a way, that material productivity and freedom are merged into a whole, without neglecting moral values, as the collectivist Planning does. Since Beltrán became Prime Minister, he began the so-called "revolución sin violencia," which has now covered all of South America." (Reiser, 211) [Author's translation.]

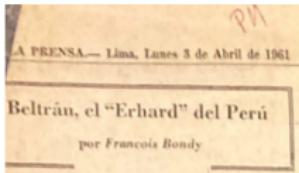
Economic policy events

Neoliberal development in 1960s Peru

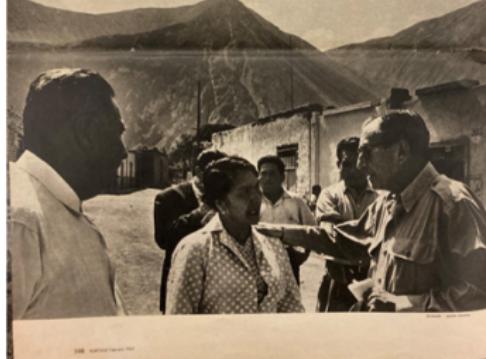
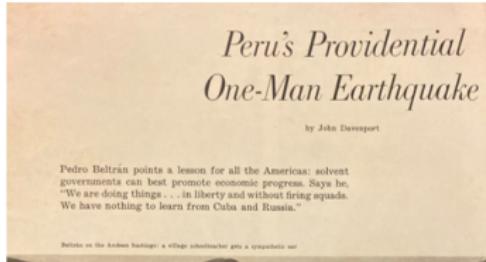
Neoliberal networking



Credits: Time (04/11/1960)



Credits: La Prensa, "Beltrán, the Peruvian 'Erhard'." (04/03/1961)



Credits: Fortune (Feb. 1962)

Conclusions

- The interpretative strategy of “waves” allows to connect the discursive and institutional legacies between each neoliberal intellectual.
- Baudin, Beltrán and Ferrero connect each other through the concepts, actions, and interpretations appearing during their interventions.
- Sometimes, the “school-boys” narrative may be narrower: it does not conceive the political economy impacts of the discourse and misleads the process of economic policy implementation through the construction of common-sense.
- The study gives voice to the domestic actors that concentrated the political power and influences to incept neoliberal concepts through their academic production and their public actions.
- The study of the Peruvian case shows neoliberalism is not an economic theory but a political discourse with an economic object.

An issue of personalities: discourse and actions

Louis Baudin, the introduction of the term and the debate on economic systems

Baudin's ideas

- *L'empire* of Baudin criticizes the project of a communist utopia based on the Indian agrarian community (*ayllu*):
 - Agrarian collectivism of the pre-Inca communities vs. the state socialism imposed by the Incas (first conquerors of the ancient agrarian civilizations of Peru).
 - Incas stabilized the society and gained the support of the mass by banishing the poverty and idleness.
 - Simultaneously, they dried up two springs of progress: private initiative and provident concern for the future.
- In his conference on *The Contemporaneous Conflict of the Economic Doctrines* of 1947:
 - Main goal of neoliberalism: reestablish the system of prices, which necessarily matches a more complex economy.
 - The system of prices modernizes the society: destruction of exchange based on personal relations.
 - The system of prices requires state action.

An issue of personalities: discourse and actions

Pedro G. Beltrán, a mind on free market policies and developmentalism

Beltrán's ideas

- 1930: Monetary stability and the maintenance of the currency purchasing power: H. S. Foxwell's understanding of inflation (application of the quantitative theory of money to the estimation of the price levels)
- 1930-1945: Fiscal austerity, industry policy and foreign trade.
 - The stabilization of the foreign exchange rate as beneficial for the agricultural exporters and for *the people*.
 - Central Bank independence: cutting seigniorage ("maquinita")
- Free trade and foreign aid:
 - 1945: Reversal of the American tariffs and the equal tariff treatment for all the countries in the globe in the name of the world peace.
 - 1958: Foreign aid for the protection of the Western Hemisphere and to oppose the Communist thread following Christian principles.

An issue of personalities: discourse and actions

Rómulo Ferrero, a pro-austerity economist

Ferrero's ideas

- 1945: monetary stability and the maintenance of the currency purchasing power
 - Austrain theory on money and credit
 - Inflation as a problem for development: destruction of currency value, scarcity of resources for a capital market, death of real state industry
 - Liberalization of foreign exchange market as a condition to create domestic capital markets: devaluation benefiting exporters
- 1958: ideas on development, criticism on the "new orthodoxy of development"
 - Importance of austerity for economic development
 - Theory of stages of development: predominance of agriculture and mining, not necessity
 - The necessity of an Agrarian Reform led by **private initiative**

