

# Revisiting the birth of neoliberalism in South America: Pedro G. Beltrán, Rómulo Ferrero and the conservative blueprint for development in Peru\*

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**OCTOBER, 9th 2021**

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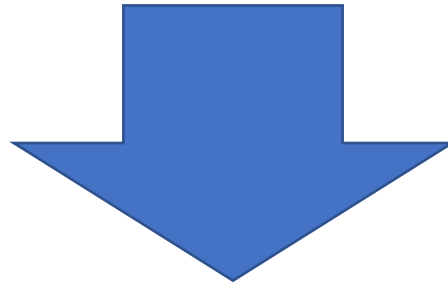
**Mont Pelerin Society networks. Looking at the records**

# Introduction

- Chilean Chicago-Boys supporting the coup d'état of Pinochet in 1973 as a reference of the ***birth of neoliberalism*** in Latin America during the Cold War.
- Foxley (1982), Valdes (1995), and Clark (2017) describe the Chicago-Boys case as a successful process of transfer of ideas, which were supported by financial aid of American institutions as the Ford Foundation. (**Narrative A**)
  - ❑ Brazil: Suprinyak and Garcia Fernandez (2015)
  - ❑ Mexico: Babb (2001)
- There is a marginal relevance of academic and political connections between domestic neoliberals and the Mont Pèlerin Society.
- Domestic “operators” of neoliberalism lack any previous relevance in transnational politics (Bockman 2015, 2019)

# Introduction

## **Alternative narrative**



Understanding neoliberalism as an entanglement of institutions and discourse that specific economic actors, who belong to a transnational business class and a technocracy networking, have implemented throughout history (Walpen 2004, Mirowski and Plehwe 2009, and Slobodian 2018). I interpret their actions as if they construct and modify socio-economic relations in the real political economy. Using economic and political ideas, they create institutions and fix what the public identifies as the “economy.” These actors have influenced the common understanding of fiscal and monetary policies, the role of the State, and the legislation regarding businesses and private investment (De Brunhoff 1978, Gordon 1991, Blyth 2002, Mitchel 2009; 2010, Caliskan and Callon 2009; 2010, Bonefeld 2012; 2016, Biebricher 2019)

# Introduction

- Neo-liberalism is an heterogenous set of ideas dealing with the problems of ***economic rationalization, advocating the middle-class and coping with the authority in politics***. Superation of two basic errors of the old liberalism: (1) ***fascism and socialism are both totalitarianisms*** and (2) ***identifying the liberalism with the manchesterian doctrine of the “laissez-faire, laissez-passer.”*** (Foucault 2007, Reinhoudt y Audier 2018).
- I suggest that neoliberalism is a specific ***political thought whose main contents have influence on the common understanding of the fiscal and monetary policy, the role of the State, and the legislation regarding businesses and investment*** (Biebricher 2019, Slobodian 2018).
- MPS is a ***“thinking collective”*** founded in Switzerland in 1946, which is committed to the ***diffusion of neoliberal ideas*** all over the world. It was integrated by economists, businessmen, philosophers, public intellectuals, pundits, and politicians (Walpen 2004, Mirowski and Plehwe 2009, Slobodian 2018).

# Introduction

- Alternative narrative:

- **Neoliberalism in South America has a different precedent.**

businessmen, public intellectuals, diplomats, and statemen participating in the MPS network. For the Peruvian case:

- Prominent member Louis Baudin, *A Socialist Empire: The Incas of Peru* (1961). Economics conferences at the Pontificia Universidad Católica del Perú [*Instituto Riva-Agüero*] (1947)
    - Pedro G. Beltrán Espantoso and Rómulo Ferrero (Ugarteche, 2019)

- ***Peruvian neoliberal experience of the 1950s-1960s:*** conflation with authoritarian politics to impose free-market policies (price flexibilization, liberalization of the foreign exchange rates, and the reduction of currency emissions).

# Introduction

LA PRENSA.—Lima, Viernes 16 de Mayo de 1947

**RUEDAS**  
**DEL MOLINO**

**AS MANOS LIMPIAS**  
hombres "de las manos limpias" se atribuyeron el electoral de 1945. Eran en todos los tonos que le a las manos limpias, "limpias", "de sangre", "de dinero", "de maron, asimismo, que todo hacerlo con las manos limpias programa higiénico no mal. Además, casi era una ción histórica que Poncio tuviera también discípulos inuadores. Pero pasaron los y muy pronto se hizo evi que el propósito de limpieza tan firme. Se comenzó con cas declaraciones de los de fortuna de los principa gentes de los "pilas", A or dieron cifras al ojo, or procedencia. Lo cierto es mas quisieron hacer públi as declaraciones. E hicieron torque al los bienes declara ciones se compararan con tinas que hoy tienen algu ellos, pasaríamos por el lento de comprobar que, a de las manos limpias, el feo del "crecimiento" y la poe de "creación de riqueza" los oreo con una tenacidad, na persistencia, y en una tud verdaderamente sospe icer la historia, corta pero era, de "las manos limpias", endería varios capítulos, a más interesante. Prescindi por carecer aun de datos tos, del acaparamiento del En cambio, el cemento lo al fisco y la atención co constante de la bolsa negra material, abarcaría varias is. El señor Lotto, y sus ne de cuatrocientos millones de ocuparía todo un capí Habría también el capítu troleo. El capítulo de la de erna. El capítulo de los vici al exterior, con las faltri den previstas de divisas. El lo de las cooperativas de mo y de los estancillos que n abonado al Gobierno los los alimenticios que les fue negados. Un capítulo muy e para tratar ciertos casos unistoria edifica. Y otros uios más. No han estado muy limpias anos. Un amigo nuestro nos ayer —lo decía en broma, de repente es la pura ver-

**Louis Baudin nos Habló del Neoliberalismo, Nueva Corriente Ideológica en Formación**  
Es un grave peligro, a causa del factor político, el control del capital por el Estado. La educación del obrero problema esencial para solucionar los conflictos entre el capital y el trabajo  
**UN SINCERO AMIGO DEL PERU**

«Louis Baudin»...  
Estaba sentado en un sofá del hall. Es un hombre ya maduro, de ojos claros y barba corta y cana. El conocido catedrático de Economía de la Facultad de Derecho de París conversaba animadamente frente a dos viajeros yanquis. Con un amigo—intéprete ocasión y por gentileza—lo habíamos buscado afanosamente por los corredores del hotel. Al acercarnos nos miró detalladamente y, pronto, accedió a sentarse en nuestra mesa.

Fué una conversación larga en la que se abarcaron miles de temas. Louis Baudin, personalidad mundialmente conocida, tiene para nosotros grata importancia. Siendo extranjero, es quien con mayor claridad ha enfocado el problema social y económico del Incanato. Su estudio del viejo Imperio, hecho desde lejos marca, además una pauta para presentes y futuras realizaciones políticas.

Como nos lo habíamos figurado, el autor de «El Imperio Socialista de los Incas» es vivaz, elusivo y muy francés. Geatúcia constantemente al hablar y se empeñó en hacerlo en español. Amigos y amigos, que de casualidad pasaban por allí, se afanaron por conocer y escuchar al profesor Baudin. Fué una charla de mesa redonda.

—Francia se repondrá —contestó el catedrático parisién con energía.— Pero, ¡oh! la guerra es una calamidad feroz. Son dos millones de... bueno, mejor no hablemos de cifras pues no dicen nada al espíritu.

—Y el espíritu de ustedes ha caído frente a la ruina que están afrontando?

Quiso contestarnos en diferentes formas. Nos explicó durante largo rato la situación creada por el desgarramiento económico... Y sin darse cuenta casi, se dejó trair por una frase de profundo escepticismo. Lo dijo con una tremenda amargura:

—La vida no es una cosa muy alegre.

charlar con intenso cariño de sus viajes por diversos lugares del Perú y de su agrado en radicarse aquí. Al saber que una de las damas presentes era arequipeña se desbordó en entusiastas frases por nuestra serana ciudad del Sur.

—Arequipa es maravillosa. La conocí en el año 23 cuando participé en el Congreso de Americanistas... ¡Qué hermosura de ciudad! Con sinceridad afirmo que desearía vivir y morir cerca del Misti.

Rápidamente la charla cobró mayor amenidad. Lógicamente se repitieron diversas preguntas de índole política que concisamente contestó el doctor Baudin. Para él la situación francista no es tan grave como parece desde lejos y como la ven algunos políticos europeos.

—No creo en el peligro comunista en Francia. No son mayoría y no es doctrina que cuaje en nuestro pueblo.

—¿No es posible una revolución comunista?

—Si intentaran una revolución sangrienta les iría muy mal. Es muy fuerte la pequeña burguesía de mi país.

Una de las damas presentes, que hasta el momento había guardado profundo silencio, se interesó de pronto por conocer la opinión que el catedrático francés tenía de Rusia. Con una sonrisa, respondió rápidamente así:

—De Rusia no se puede tener una opinión pues no la conocemos y no hay modo de conocerla. Es un misterio que ni siquiera se puede criticar.

—¿Ni siquiera? —replicamos nosotros para ver si se afirmaba en lo dicho el doctor Baudin.

—¡Ni siquiera!

—Pero ¿usted no cree que necesariamente marcha hacia el socialismo el mundo entero?

—No creo que haya fatalidad en la historia.

—¿No juzga al socialismo como una solución? ¿No lo sería...?

—El socialismo como planificación integral, no. Para los latinos no puede el socialismo integral ser una solución en forma alguna.

—¿Y cuál sería la forma de resolver las profundas injusticias que subyacen aún entre los hombres que venden y compran trabajo?

Todas estas preguntas salían de uno u otro de los asistentes a la conversación que se había formado alrededor de una de las mesas del bar del Hotel Bolívar.

—Por supuesto que así, en pocas palabras, no podría dar respuesta a todo lo que me están solicitando. Son asuntos muy serios. Sin embargo, viene muy bien que puedan conocer algo de un nuevo movimiento que se está formando.

—¿Qué sentido tiene? ¿Es...?

—Precisamente por ser un movimiento en gestación, que no ha logrado concretarse aún, no podría darle una definición completa. Esta nueva fórmula para enfocar los problemas sociales y económicos, es el Neo-liberalismo.

—¿Está el Movimiento Republicano Popular influenciado en algo por esta nueva corriente?

—En realidad el M.R.P. es un partido político que no tiene ninguna consistencia y que en el fondo no creo que pueda subsistir. Es una fórmula política apresurada por efecto de la crisis planteada por la guerra.

—Parece ser usted simpatizante del Neo-liberalismo y puede por lo tanto decirnos algo de él. El Estado y el Capital que relación deben guardar? ¿No juzga conveniente el control por el Estado de las actividades del capital privado?

—Debe, es claro, existir una forma de control sobre el capital. En situaciones de crisis agudas, como la que atraviesa Francia en estos momentos, es muy conveniente.

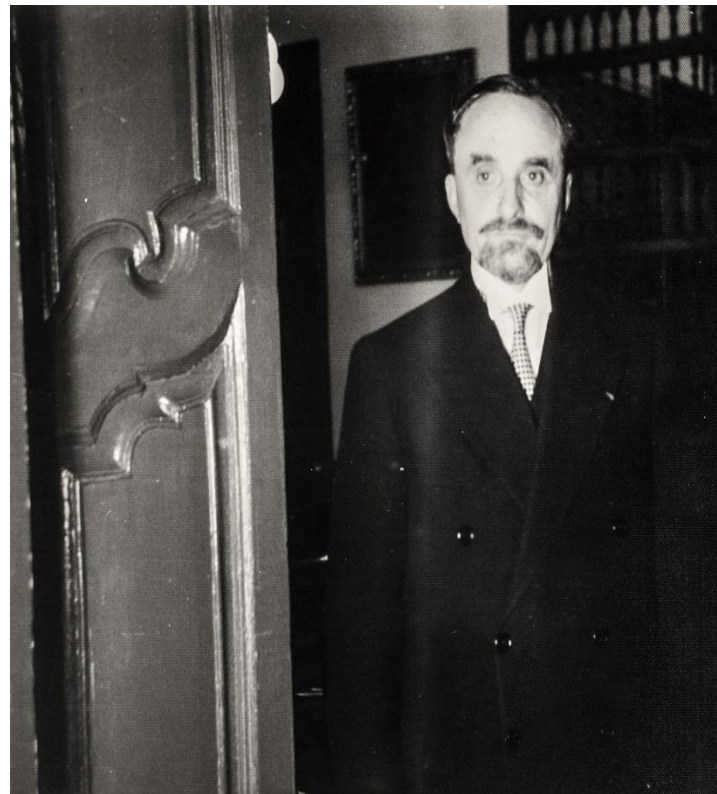
—En época normal cómo sería este control?

—Debe guiarse y apoyarse sencillamente.

El Estado es un organismo político....

—No siempre.

—Pero generalmente sí y aquí está el peligro de este control. El factor político influiría enormemente y



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

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

# Introduction

- Analyzing the Peruvian neoliberalism case:
  - ❑ ***Peruvian neoliberals were a stronger reactionary force to economic developmentalism in the region before Pinochet's experience of the 1970s:***
    - ❑ They actively participate in the anti-communist response of US in Latin America after the Cuban Revolution [Beltrán's conservative modernization blueprint applied into 1960s Peru was financed by the Development Loan Fund, during the presidency of D. Eisenhower.]
    - ❑ They support an economic development agenda challenging the progressive structuralist views of the Economic Commission for Latin American and the Caribbean (ECLAC) [Ferrero's role as main advisor of the CICYP and the New York based Committee of Economic Development (nowadays, The Conference Board)]



# Beltrán, the statesman

(1894-1979)



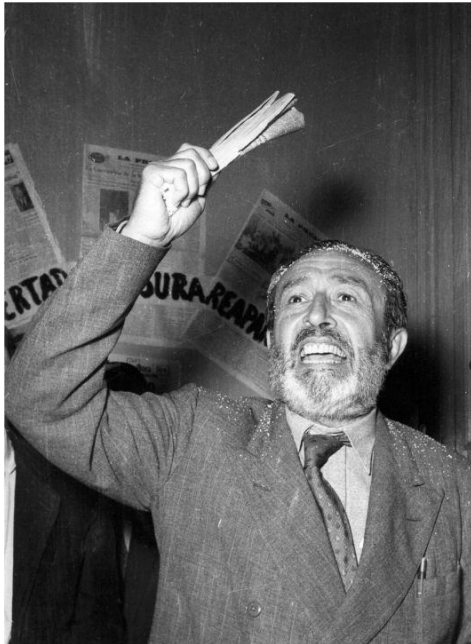
- Studies on Laws, King's College of London (1913). Bs.C. in Economics, London School of Economics (1914-1918)
- Member of the Peruvian oligarchy with investments in both the agriculture (cotton and sugar, hacienda Montalvan) and the mining industries.
- **Economic Advisor of Peruvian President Augusto B. Leguía**
- **Peruvian Ambassador at the U.S.A. (1944-1945)**
- **Head of the Peruvian Delegation at Bretton Woods Conference (1945).**
- **Board Member (1930-1933) and Governor (1949-1951) of the Peruvian Central Bank.**
- Minister of Finance and Prime Minister (1959-1961)
- Publisher and owner, with agriculture producer Gildemeister, of the conservative newspaper *La Prensa*, founded in 1903 (1934-1984).

# Beltrán, the statesman

(1894-1979)



- Founder of the Partido Nacional Agrario (National Agrarian Party) with the agriculture exporter Gerardo Kingle and Manuel Gonzalez Olaechea (1930)
- Founder of la Alianza Nacional (National Alliance) with Eudocio Ravines (onetime Comintern agent in Chile and Peru, author of *The Yenan Way*, a book translated into English by William F. Buckley, Jr.) and Pedro Roselló. The party participated in the Peruvian elections of 1945.
- ***Odría nominated Beltrán as the head of the Peruvian Central Bank (1949-1950)***
- Between 1959-1961, Beltrán was appointed as Ministry of Finance and Primer Minister of Prado Ugarteche's government.



# Beltrán, the statesman (1894-1979)



Prime Minister Pedro Beltrán at the First Annual Conference of Executives. Lima. September 14<sup>th</sup>, 1961. Credits: El Comercio newspaper



J. F. Kennedy President of the United States of America, Pedro Beltrán Peruvian Minister of Finance and Commerce, and Fernando Berckemeyer, Peruvian Ambassador at the White House. March 29<sup>th</sup>, 1961. Credits: John F. Kennedy Presidential Library and Museum, Boston

# Beltran's intellectual influences and MPS connections

London  
School of  
Economic<sup>1</sup>

- Edwin Cannan (Economic Theory, Preface of AS's TWN)
- Lilian Tomn Knowles (Economic History of England)
- H. S. Foxwell (Finances)

MPS  
network

- Ludwig von Mises (Austrian economics)
- Henry Hazlitt (Newsweek, New York Times)
- Milton Friedman (Monetarism)
- Wilhelm Röpke (Ordoliberalism, Conservative developmentalism)

<sup>1</sup> Source: Pedro Beltrán (Student Dossier 1914-1961). **LSE, Registration Number H/37/39.**

# On economic policy: experts, stability and the right economic policy

- At the beginning of his political career, Beltrán stated the necessity to lead public opinion interest towards public affairs and to avoid the leftist counter offensive:

“Educate our compatriots to maintain an interest in the management of public affairs. [...] The preaching of good ideas at no time has easily found propitious ground. The problem would not exist if public opinion agreed.” (*Letter to the members of the Partido Nacional Agrario, 06/01/1938*).  
[Translation]

- When president Bustamante y Rivero won the 1945 Peruvian elections with the support of APRA, a progressive-populist movement, Beltrán celebrated it by preaching the necessity of political stability and orthodox economic policy:

“[T]he candidate and the crowd who are winning the election will form the next government without any fear of uprisings or of tricks from the departing crowd [...] This is the only way to have political stability, and as I believe political stability to be the foundation of everything [...] I am very much afraid that he [the president] will be following mistaken policies and relying on artificial controls which will no take the country anywhere and which will mean further graft and corruption. [...] I only hope [...] he will rely more on the fundamental soundness of orthodox economic principles where the state does not try to make the water run uphill by artificial measures.” (*Letter to Augusto and John Gildemeister, 06/25/1945*).

## Looking at the records...

- In 1949, after Manuel Odría's coup d'état (supported by Beltrán and Gildemeister), the Peruvian government hired the Klein Mission for lifting the foreign exchange and price controls.
- Beltrán's La Prensa praised the work of the Mission and its outcome: the decree law 11208 (enacted on 11/14/1949).
  - La Prensa (11/11/1949): "No decree may state the currency value and there is no government able to create any exchange rate by will."
  - La Prensa (11/15/1949): "Abolition of (price and capital) controls and the liberation of the economic process in the benefit of the country"
- In 11-17-1949, Odría addresses the nation: he attacks the inflationist and controlling regime of Bustamante and refers to the new economic regime as the "beginning of the battle for the economic liberation of the nation".

# Looking at the records...

Pedro Beltrán and **Henry Hazlitt** get in touch for the first time on September 24th of 1948. Malcolm Muir and the Editorial Board of **Newsweek** decided to support Hazlitt's trip to South America. The initial proposal changed to a shorter journey to Peru starting on November 12th of the same year (Hazlitt to Beltran, 10-27-1948; Beltran to Hazlitt, 11-01-1948.) Pedro Beltrán hosted Hazlitt's visit and introduced him to the Peruvian businessmen and economists concerned about the economic situation and the problems with the multiple exchange rates of Peru.

As a result, he wrote two articles endorsing General Manuel Odría's coup d'état and his decision to issue the Decree-Law 10905 of December 4th to lift import restrictions (with a dual system of foreign exchange rate): **'Exchange Control in Peru' (12-06-1948)** and **'Exchange Control vs Peru' (12-13-1948)**. That is a topic that Hazlitt covered in his Newsweek column since the latter 1947, beginning with the article 'The Myth of a Dollar Famine' (12-18-1947). The monetary views of Hazlitt related to von Mises, Röpke, and even Harrod's thoughts on the issue.



# Looking at the records...

In an article of September 25<sup>th</sup>, 1961 the journalist and libertarian thinker Henry Hazlitt talks about the MPS society meeting at Turin, where economists and political scientists from eighteen countries met during September 3<sup>rd</sup> to September 9<sup>th</sup>. He mentions Pedro Beltran as one of the prominent assistants of the conference (**a mistake?**).

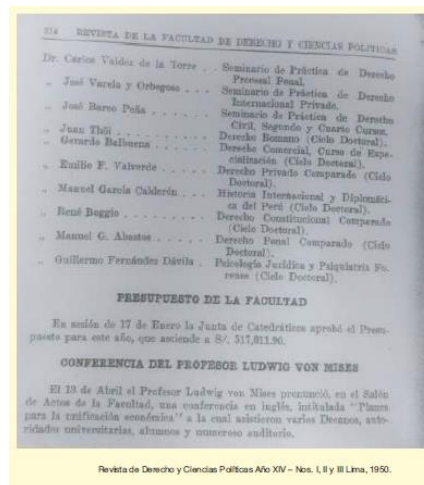
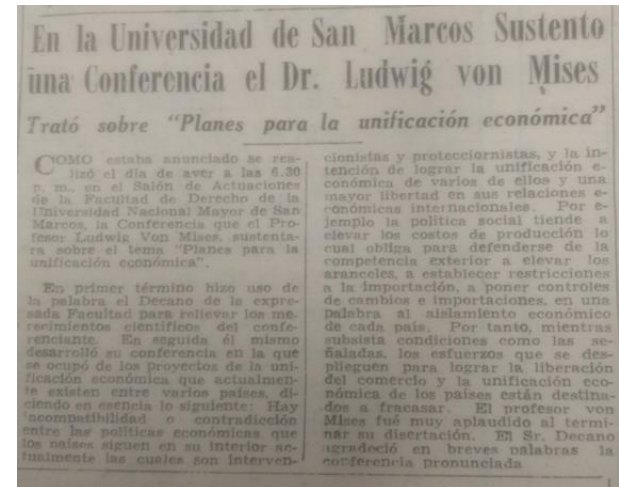


“At the meetings the members discussed such topics as the relationship of democracy and liberalism, the responsibilities of the Western countries to the underdeveloped areas, the status of Communism, particularly in Italy, France, and South America, (...) And its membership (...) includes men who occupy or have occupied positions of great influence or power in their countries-Sen. Luigi Einaudi, former President of Italy, Dr. Ludwig Erhard, Economics Minister of West Germany, Jacques Rueff, author of the Rueff economic program in France, Pedro Beltran, the Premier of Peru to name few.” (Newsweek, September 25, 1961.)



# Looking at the records...

- Ludwig von Mises was invited by Pedro Beltrán to give a conference in the Universidad Nacional Mayor de San Marcos in Lima on April 13<sup>th</sup>, 1950. The conference was titled “Planes para la unificación económica” [Plans for Economic Unification.]
- It was hosted by the department of Laws and Political Science. Von Mises was introduced by the San Marcos’s president Jose Leon Barandarian



“In 1950 Lu and I travelled to Peru on the invitation of Pedro Beltran. This was a lecture tour sponsored by the Banco Central de Reserva [Peruvian Central Bank], of which Pedro was chairman of the board. Pedro Beltran, who opposed the government's policy of interfering with the freedom of elections due later that year, realized his activities might lead to his having to resign from the bank.” (von Mises, 1976: 149)

# Looking at the records...

March 23, 1950

Mr. Pedro G. Beltran  
Apartado 485  
Lima, Peru

Dear Mr. Beltran:

Thanks for your good airmail letter of March 16 and for the Bank's kind invitation. It will be a great pleasure for Margit and for me to visit your country, to see its fine monuments and, last but not least, to meet again you and your brother and your colleagues of the Bank.

Looking forward to seeing you soon, with all good wishes

Sincerely yours

P. S. Please write or cable our hotel address in Lima.

Von Mises-Beltran correspondence, Ludwig von Mises Archive, Series 1, Box 4, Folder 10



# Looking at the records...

- The newspaper La Prensa covered Von Mises's trip to Peru.
- In the leader article, they sketched a short biography of von Mises.
- La Prensa interviewed von Mises on April 5<sup>th</sup>, 1950. The economist said the enacting of the decree law 11208 creates conditions for the development of the Peruvian economic activities.

LA PRENSA.—Lima, Sábado 1.º de Abril de 1950

## La Obra y la Personalidad de Ludwig Von Mises

EL Profesor Ludwig von Mises es, sin disputa, uno de los más notables economistas del mundo. Es conocido internacionalmente como la cabeza de la llamada "Escuela Austriaca" de economistas, cuya contribución al adelanto de esta ciencia ha sido y es sobresaliente, y que cuenta con elementos tan distinguidos y reputados como los Profesores Hayek y Haberler.

El Profesor von Mises ha enseñado Economía en la Universidad de Viena, durante veinticinco años, y desde 1934 hasta 1940 ha sido Profesor de Relaciones Económicas Internacionales en el Instituto de Estudios Internacionales para Graduados, en Ginebra. Ha dictado conferencias en universidades de Gran Bretaña, Francia, Holanda, Italia, Alemania y México; y es Profesor visitante de la Escuela de Administración de Negocios, para graduados de la Universidad de Nueva York.

La obra científica del Profesor von Mises es muy conocida. Es autor de un tratado sobre "La Teoría de la Moneda y del Crédito", traducido a varios idiomas y considerado como una de las obras clásicas en la materia. Ha estudiado la evolución económico-social de la época contemporánea, prediciendo las dafinas consecuencias de la creciente intervención estatal que conduce al socialismo hacia el totalitarismo. En este campo ha publicado obras maestras, tales como "El Gobierno Omnipotente" y "Acción Humana", esta última acabada de aparecer y que ha sido recibida con los mayores elogios de la crítica más autorizada.

Ludwig von Mises es conocido internacionalmente como el líder de la "Escuela Austriaca" de economía. Profesor de F. A. von Hayek y de muchos otros economistas, quienes debido a su influencia han llegado a dar a la ciencia de economía el carácter de una investigación de la acción humana, basada sobre principios no menos riguro-

sos que los de las ciencias naturales. En muchos de sus primeros ensayos literarios, aunque publicados en los años tranquilos antes de la aparición de los estados policiales de Europa, predijo los resultados catastróficos del intervencionismo estatal y la tendencia inevitable hacia el poder total aun en el caso del socialismo bien intencionado.

En su famoso libro "ACCION HUMANA", el equivalente de "Das Kapital" de Marx o de "Teoría General" de Lord Keynes, donde hace un análisis de los impulsos fundamentales de la acción humana de los hombres, el profesor von Mises demuestra por qué únicamente el mercado libre y la libertad de empresa pueden producir esa abundancia de artículos y servicios que se controlan democráticamente por las decisiones diarias de compradores que prefieren un producto a otro y por qué todo otro sistema constituye la opinión de un pequeño grupo que determina lo que el público debería desear, o lo que le conviene (o lo que conviene al pequeño grupo).

El pensamiento del profesor von Mises guarda muy poca relación con lo que se enseña generalmente en las aulas y con las "economías" llenas de esperanza y revolucionarismos sados por el látigo y el azote del caporal. El sistema no puede funcionar con la intervención del mundo occidental durante las últimas décadas. El libro es un estudio de principios científicos cuidadosamente raciocinado, de generalizaciones relacionadas con el hombre y sus necesidades y como, teniendo en mira ciertos fines, pueden ser satisfechas. Por ejemplo, demuestra como bajo el sistema del avasallamiento los magros premios del trabajador tienen que ser compensados sino por medio de la coerción. Aun la reacción contra el castigo corporal de los niños en los colegios se relaciona al problema, ya que el castigo resta la iniciativa a la producción. Asimismo, explorando las economías de la tarifa

alta, demuestra que mientras sea posible obtener ganancias a corto plazo no pueden haber ganancias a largo plazo mientras que artículos de la misma calidad se producen más baratos en otros lugares. En última instancia, ni el productor ni el trabajador ni el consumidor pueden beneficiarse por este malgasto de recursos y energía.

Este libro, por lo tanto, es un estudio básico y sistemático de las múltiples actividades de los seres humanos en busca de comida y abrigo y la variedad de artículos que llegan a necesitar; es, efectivamente, una filosofía de economía basada en toda una vida de investigación. Como hemos visto en la última década, las declinaciones económicas en Europa, y en los Estados Unidos han determinado una multitud de maléficas consecuencias políticas, y la comprensión de la economía ya no puede entregada a unos cuantos expertos o a los ignorantes. Cuando los avances y limitaciones de la economía son ignorados o mal comprendidos, el resultado ha sido nada menos que la miseria y la carencia de millones en una época que podían haber tenido la abundancia con libertad y trabajo.

El señor Henry Haslit, otro distinguido economista, ha escrito en la revista "Newsweek": "Si un solo libro puede cambiar la corriente ideológica que durante los últimos años ha estado corriendo tan rápidamente hacia la intervención estatal, socialismo y totalitarismo, ese libro es "Acción Humana".

El Profesor Ludwig von Mises durante veinticinco años fue Profesor de Economía en la Universidad de Viena y de 1934 hasta 1940 Profesor de Relaciones Económicas Internacionales en el Instituto de Estudios Internacionales en Ginebra. Ha dado conferencias en universidades de Inglaterra, Francia, Holanda, Italia, Alemania y México, y actualmente es Profesor (visitante) en el Colegio de Administración Comercial de la Universidad de Nueva York.

## La Abolición de los Controles es lo Mejor que ha Podido Hacer el Perú para Crear Condiciones que Permitan Desarrollar sus Actividades Económicas

### Esta Medida ha Sido Muy Acertada y sus Frutos se Están Palpando

#### NOS DIJO EL DOCTOR LUDWIG MISEN

TRAEMOS hoy a nuestras columnas la palabra autorizada del eminente economista Ludwig von Misen, quien desde hace dos días es nuestro huésped. Sus opiniones sobre problemas económicos mundiales y especialmente sobre los de nuestro país, que han provocado debates públicos, tienen el valor que les da la capacidad y profunda especialización de hombre de ciencia que ha conquistado justa fama y prestigio en el mundo.

Nuestra primera pregunta, en la entrevista que nos concedió ayer, el señor Ludwig von Misen, se refirió a la supresión del Control de los Cambios, establecida en el país por el decreto ley N° 11208.

—Considero— dijo el Profesor Von Misen — que la abolición de los Controles de Cambios es lo mejor que ha podido hacer el Perú para crear las condiciones que permitan desenvolver y desarrollar sus actividades económicas y sobre todo incrementar su producción. Esta medida ha sido, en mi concepto, muy acertada y, por lo que me ha informado, sus frutos se están palpando.

—Ha tenido usted oportunidad de estudiar las condiciones económicas del Perú.

—He venido para estudiarlas y mi primera impresión no puede ser mejor. Veo que el Perú es un país que avanza resuñamente hacia la solución de sus más difíciles problemas económicos. Creo que mi solución en esta hermosa ciudad, será muy provechosa para mis investigaciones y estudios.

—Pero... concretando más, señor von Misen?

—Comparativamente, el Perú está en un pie igual al de sus hermanos de América. Mi mejor ni peor, igual, sencillamente. Me parece que no hay nada que, por el momento, pueda ser causa de alarma. Hay, en cambio, en este país, posibilidades con las que no se cuenta en otras partes. Sinceramente, me ilusiona a creer que el Perú será uno de los primeros en superar su crisis actual.

—Y qué nos puede usted decir sobre la economía de los Estados Unidos?

—Si no sobreviene una catástrofe nacional, es decir, una guerra o algo de proyecciones sangrientas, los Estados Unidos seguirán constituyendo el país más poderoso del mundo por mucho tiempo más. En la actualidad los problemas económicos de la Unión no son de proporciones tremendas ni mucho menos. Confío en que dentro de pocos años la economía norteamericana estará en condiciones de ayudar al resurgimiento del resto del mundo de manera más efectiva de lo que hasta ahora lo ha hecho.

—Le parece a usted que el Plan Marshall será ciertamente puesto en práctica en Latinoamérica?

—De ello no me cabe la menor duda. Lo que sí me parece un poco difícil es que el Plan pueda ser aplicado antes de dos años, cuando menos, en todos sus aspectos.

—Agrego nuestro entrevistado es indispensable que desde ahora se comience a plantar las bases de la economía futura del país. La actividad de la nación entera debe estar fundamentalmente encaminada a producir más y más.

De manera especial continúa el señor Von Misen— se debe tender a la industrialización en grande de los productos nacionales. La transformación de los productos debe merecer la misma dedicación que se tiene con las industrias extractivas y de cultivos. Por otra parte, al comercio como

El eminente economista Ludwig von Misen, quien nos formuló estas declaraciones.

—La estabilización monetaria requiere siempre cierto tiempo para que las normas destinadas a lograrla adquieran su vigencia plena. No hay sistema que pueda estabilizar la moneda de un momento a otro en un país en crisis. Por ahora el recurso inmediato lo tienen ustedes en el incremento de la producción y en el fortalecimiento del comercio. Lo fundamental, ya lo he dicho, ha sido cumplido por el Perú. Del régimen de libertad de cambios se habrán de derivar saludables reacciones que, en parte ya se advierten.

—Y el Fondo Monetario Internacional no logrará la estabilización de la moneda en estos países?

—Creo que es más prudente no referirse al Fondo Monetario Internacional desde luego que su intervención en la economía de los últimos tiempos ha sido casi nula. No obstante el Fondo lores los países sufren la depreciación de sus monedas; todos, experimentan las consecuencias de la inflación originada por los gastos extraordinarios efectuados durante la guerra que ha finalizado.

**CELEBRO VARIAS ENTREVISTAS LA MISION INTERAMERICANA DE TURISMO**

# Looking at the records...

- ▶ In June 1955, Pedro Beltrán wrote a letter to the Hazlitt's and ask for help to publish a paper in an American journal, so it could appear in a reprint in Lima. Frances Hazlitt send the article to Ludwig von Mises, who submitted it to The Commercial and Financial Chronicle newspaper.
- ▶ In this article, Beltrán's aim was to argue in favor of security conditions for the foreign investment (against the danger of expropriation in leftist governments and the necessity of the convertibility in any other). He also critiques Odría's regime for increasing government expenditure and the exchange control trap.

10 (2862)

The Commercial and Financial Chronicle ... Thursday, June 23, 1955

## Latin-America, the Foreign Investor, and Non-Convertibility

By CARLOS HERNANDEZ

Latin American banker stressing importance of safety factor in motivating foreign investment, maintains equivalent of expropriation may be inflicted in other forms. Cites difficulty of taking home yearly profits as well as capital. Terms public works the chief inflation cause. Concludes countries with convertibility are becoming increasingly attractive because it offers foreigners freedom from a trap.

Apart from what is called wild-catting, whether in oil or in any other field where the possibility of large profits overshadows every-

taken place, though on the surface everything may look quite different. The trouble at present is the difficulty, even the impossibility,

change control may yet amount to practically the same thing. Its effect is even more insidious and it is bound to act more and more as a very strong deterrent to entering the foreign investment field.

Experience goes to show that, without any question, exchange restrictions become a hindrance when, due to inflation or a drop in the price of primary exports, the fixed rate of exchange of any country gets out of line with the market or, more properly called, true value of its currency in relation to that of other countries. At such a rate, there will be a demand for an amount of foreign exchange larger than is available. It may seem evident that the easy remedy would then be to alter the official rate of exchange so as to

tion. This leads to greater restrictions and in turn to the country's earning a bad reputation as a field for foreign investments. No money can then be expected to come from abroad. In other words, just when they are most needed, there are no loans and no new capital. On the other hand, with a floating rate of exchange, market quotations soon reflect the depreciation of the currency due to inflation. That in itself is an alarm signal which alerts public opinion and acts as a restraining influence on issues of the Central Bank and on public works programs beyond the capacity of the treasury. At the same time it eases the exchange situation by acting also as a brake on purchases abroad because imports become more ex-

minder that the situation was getting worse.

With a floating rate of exchange, foreign investors can feel confident not only that they will be able to withdraw their profits and even to repatriate capital when they so desire, but that they will continue to receive ordinary returns because the depreciation of the currency and the consequent rise in costs of production are reflected in higher exchange proceeds of exports.

This can also be said of business which will only cater to the local market of the foreign country, especially if free from price controls, because, in such a case, local prices will soon reflect depreciation of the currency and allow profits to yield the

# Looking at the records...

Slobodian (2014) refers to the diffusion of Wilhelm Röpke's ideas in the southward area of the Americas to counter-bloc the US's Alliance for Progress and the policies based upon Prebisch's ECLAC ideas with an organization called the Forum Atlanticum. Slobodian refers to the publishers of Röpke's books and pamphlets, as well as some "former students" of him as the Peruvian Pedro Beltran (Hennecke 2005: 219).

"Röpke's close collaborator and funder Albert Hunold became convinced of the need to formalize this emerging transatlantic bloc after the Peruvian Chamber of Commerce bought two thousand copies of his talk when he was on a South American speaking tour in 1962." (Slobodian, 2014: 79. Referring a letter of Hunold to Röpke, 2, Apr. 1962. **Röpke Archive, Institut für Wirtschaftspolitik**, Cologne, file 20. p. 230



# Looking at the records...

- ▶ The mentioned South American tour began in Argentina in 1960, when the country was governed by Frondizi and Alsogaray was the Minister of Economy. Röpke was invited by Alberto Benegas Lynch's Centro de Estudios sobre la Libertad (Center for Freedom Studies.) After that, he traveled to Peru and Venezuela to give lectures in both Lima (he explicitly refers to Beltran) and Caracas. He called this a “shuttle economy” (*Reiseökonomie*) in a similar vein as the so called “shuttle diplomacy” (*Reisediplomatie*)
- ▶ 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 likewise. He emphasizes his talks concerned the connection between market economic and monetary discipline, the use of authority for the preservation of monetary value, and the importance that these have for the economic upper-classes but also for the poor masses. He was “surprised” about the South American audience approved his policy views:  
  
“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.]

# Looking at the records...

He mentions Pedro Beltrán was one of the makers of the South American reconstruction from the inflationary policies applied in 1950s Peru. For Röpke, his friend Beltrán represented a democratic way to defend the principles of monetary stability and market economy in contrast to the Odría's regime:

“While in Peru Odría used to defend monetary stability and a market economy with dictatorial force, today my friend Pedro Beltrán does it as Prime Minister and Minister of Economics, at the same time publisher of one of the most outstanding newspapers in South America, “La Prensa”, with the sense of freedom of the real liberal and within a democracy protected by President Prado, in which one has to convince the opponent and promote one's own ideas with word, pen and success, often in hard and constant struggle with the unteachable or malicious”. [Author's translation.]



# Looking at the records...

- ▶ As Beltrán, Röpke talks about protecting the path to economic recovery from the political uncertainties exploited by communists and the threatening of currency undervalued. In contrast to the absurd notions of “certain theorists,” Röpke says underdeveloped countries are lucky to get aid from rich countries through experience, knowledge, markets, and the capital surplus (further becoming capital inflows for poor countries).
- ▶ *There is a three sides condition of a market economy, monetary discipline and confidence-inspiring politics.* Such principles reign the economic logics of both developed and underdeveloped economies and require the establishment of the market economy order, which is a common cultural heritage of both South Americans and Europeans.



# Looking at the records...



Wilhelm Röpke (Left), and Albert Hunold. Credits: The Philadelphia Society

In 1962, Albert Hunold, a Swiss businessman and founder of the Mont Pelerin Society, edited a compilation about different Latin American affairs that was titled "*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) and 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. He was one of the first, if not the first, South American politicians to succeed in convincing first the Eisenhower administration and then the Kennedy government and the North Americans in general of the imminent danger facing the Western world in this part of the world." (Reiser, 211)

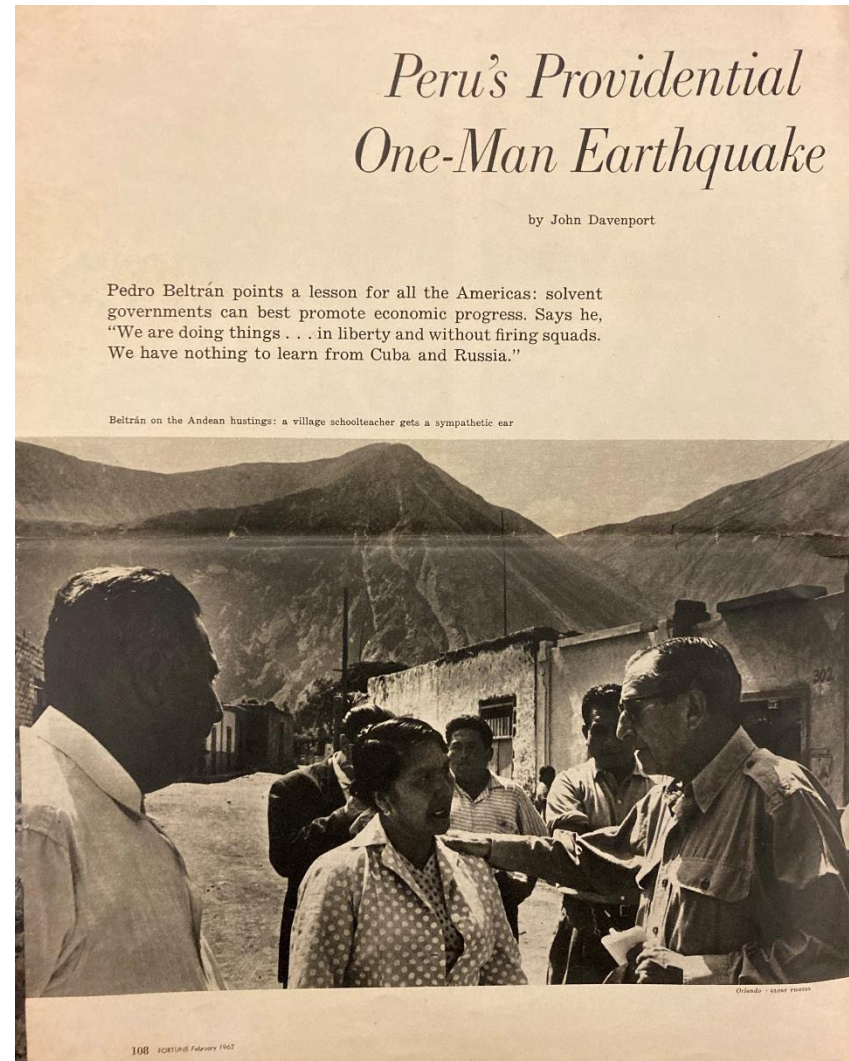
# Looking at the records...



Credits: Time (04/11/1960)



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



Credits: Fortune (Feb. 1962)



# Looking at the records...

- Between 1959-1961 Beltrán, as a Ministry of Finance, has a main objectives were the recovery of fiscal equilibrium and diminishing of inflation. In 1956, Prado created the National Housing Institute (Comisión Nacional de Vivienda), which was an institutional vehicle for Beltrán to create housing projects based on the principle of self-help and sustained by the expansion of the private financial sector. A prompt of Beltrán's plan was that each Peruvian should become a homeowner, a proprietor (to have its *casa propia*).
- Beltrán's program aimed to benefit the poor, so they would be tied to the economic system, increase their respect for the private property and reduce their appeal to radical discourses (Collier 1976, 78). The self-help housing project was implemented with the technical advice of the Chicago banker Morton Bodfish.
- In June of the same year, he 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). 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.)
- As the unclassified records of the Department of State shows, Beltrán convinced Eisenhower that development loans were a tool to assist the lower classes and face the advance of Cuba. Eisenhower "(...) mas must be given and opportunity for both spiritual and material development." (Department of State, Memorandum of Conversation, 06-09-1960.)

LA PRENSA - Lima, Domingo 25 de Setiembre de 1960

## MUTUAL PERU

*un paso a la casa propia*

**Anuncia:**

**PROYECTO "MARANGA"**  
20 CASAS  
S/. 100,000.00 c/u.

**PROYECTO "LA CAMPIÑA"**  
100 CASAS  
S/. 75,000.00 c/u.

**PAGOS MENSUALES**

	MARANGA	LA CAMPIÑA
EN 5 AÑOS:	S/. 1,796.60	S/. 1,347.70
EN 10 AÑOS:	S/. 1,164.84	S/. 873.88
EN 15 AÑOS:	S/. 977.16	S/. 738.12

**4 POR 1.**  
**Ud. pone UN sol**  
**La MUTUAL pone CUATRO.**

JIRON HUANCAMELICA N° 331-335  
TELEFONO 35444.  
Autorizada por la Superintendencia de Bancos.

(Cortesía de La Prensa - Cooperación al plan de la casa propia).

Credits: La Prensa (09/25/1960)

# Looking at the records...



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

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

- Such an experience suggests a model of development aid for the US to stop the communist advance into Latin America.
- In March of 1961, Beltrán urged the U.S. government to step forward protecting the hemisphere from the advance of Cuba during a speech at the UCLA.
- In August of 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, Uruguay. The US decided to allocate more than US\$ 20 billion to financial aid for Latin America.
- During the sessions, Pedro Beltrán was elected as spokesman of all the Latin American delegations, a decision that was disputed by the Cuban representative, the minister Ernesto Guevara. (*Southern Illinoisan*, 08-06-1961, page 1). He urged to summarize the Charter’s main point in a Declaration of the People’s of America.
- The Conference concluded with the American endorsement of the Charter of Punta del Este, which exclude Fidel’s Cuba from the Declaration of Democratic Principles (*New York Times*, 08-15-1961.)

# Ferrero, a mind on developmentalism

(1907-1975)



- 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.
  - First Phase (1929-1936): Agriculture
  - Second Phase (1937-1973): Peruvian economic problems and economic development



# Ferrero, a mind on developmentalism

(1907-1975)



- Vice Chair (1962) and Chair (1967-1975) of the Board of Trustees of the Universidad del Pacifico.
- 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-Pelerin Society (1958)

# Looking at the records

- In 11/15/1957, Friedrich Hayek sent a letter to invite Ferrero to become a member of the Mont Pelerin Society on behalf of the Council of the Society. At the same time, he invited Ferrero to the Society's meeting at Princeton, N. J., in early September 1958.
- In 01/16/1958, Ferrero replied to Hayek and to Albert Hunold, Secretary of the MPS, and confirm that he attends the Princeton meeting. In that meeting, Ferrero had three interventions.
- The first one was in 1958/09/10, where he shared the panel with Eugenio Gudín (Brazil), Leonard E. Read (USA), and Jacques Rueff (France). The main topic was inflation and monetary policy for the economic development.
  - Inflation was an inevitable condition or even a desirable condition for development.
  - Topic appearing in official publications or some units of the United Nations
  - Critiques on the exchange controls of the period 1945-1948: referring to Hazlitt's article on that issue and his experience as Minister of Finance.
  - Mentioning one of the main problems of Peru: housing and inflation effects on the level of rents (no rent control), no long-term loans.
  - Criticism on Friedman's argument on open inflation: free-market cannot absorb the effects of high rates of inflation.

# Looking at the records

- Ferrero's second intervention in the meeting focuses on agricultural economics. Panelists include S. H. Frankel (England), Jay Morrison (USA), F. Morley (USA), Louis Baudin (France), Harry D. Gideonese (USA) and Max Thurn (USA):
  - Peru as an agricultural country (more than 50% percent of the population and the GDP were concentrated in the agricultural industry)
  - Cotton and sugar relevance for the Peruvian exports
  - Havana charter, against import restrictions for protecting American farmers (production of cotton prices artificially supported)
  - Cotton policy of the US: disguised dumping by the dual-price system practice of developed countries against extractive nations.



# Looking at the records

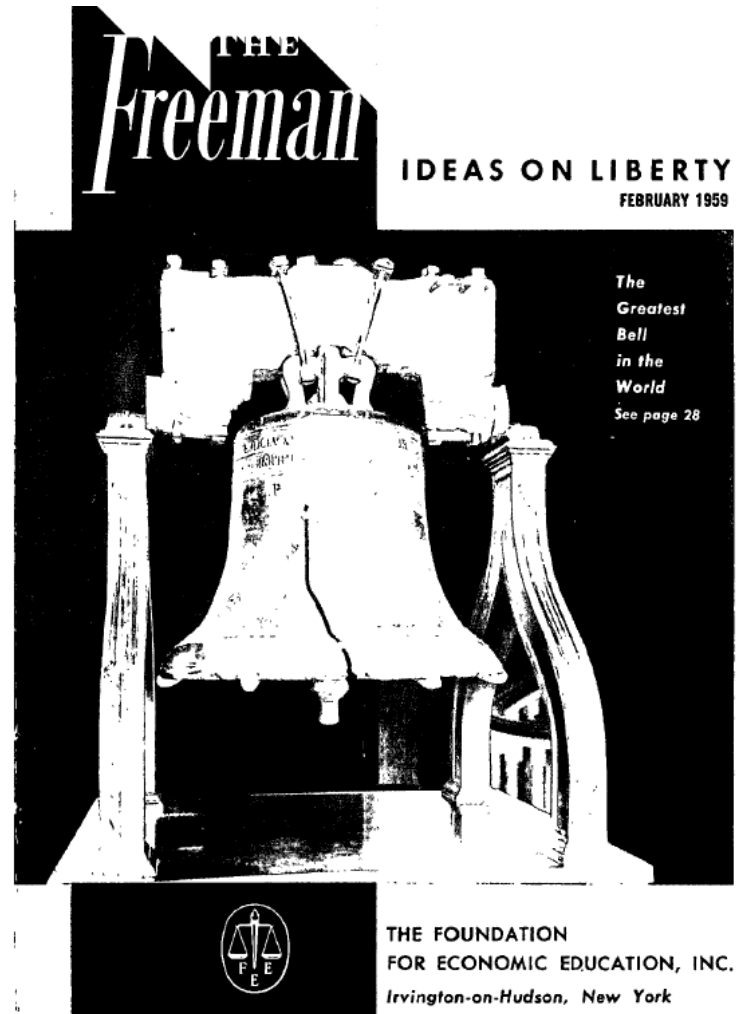
- Finally, last Ferrero's intervention goes on the development of underdeveloped countries in 09/13/1958. Other speakers: S. H. Frankel (England), Ludwig von Mises (USA, Austria), Eugenio Gudín (Brazil) and John Davenport (USA):
  - Criticism on ECLA's report on economic development of Peru: against what P. T. Bauer calls the "new orthodoxy of economic development"
  - Fallacies of the new orthodoxy:
    - Agriculture is implicitly considered to be inferior to industry: taking Jacob Viner's argument that not all the agricultural countries are poor because they are agricultural, but because of the scarcity of natural resources and backward techniques.
    - Agriculture cannot absorb all the increasing population, so it is necessary to develop industry: it is necessary to form internal markets and to get a balanced growth.
    - Presence of disguised employment in underdeveloped countries: T. Schultz's argument about the impossibility of the diminishing of agricultural production if increasing the employment in one industry against agriculture
    - Possible to employ "disguised unemployed" in industry although the national production will have higher costs than the import, but this means the increasing of the increasing of inflation and the costs in terms of lower real income for the other part of the population.

# Looking at the records

- Terms of trade have unfavorable tendency against primary producing countries: this could be compensated by increasing in agricultural productivity.
- All gains in agricultural productivity are profited only by industrial countries on account of the low elasticity of demand for agricultural countries, but the increase in industrial productivity is not profited by the agricultural countries: but possibility of reallocation of profits.
- Economic development bound to produce a pressure on the balance of payments: but the most important pressure on the balance of payment really does come from internal inflation in all countries, specially for the underdeveloped ones.
- Control of imports does not have any depressive effect on international trade, because total imports are always the same: but as long as an artificial rate of exchange is kept, the level of exports and the exchange income remain in the lower level that it could be.
- Great need of capital in Peru: but it is necessary to have command of more physical resources as capital goods instead of food commodities.

# Looking at the records

- Like Pedro Beltrán, Rómulo Ferrero meet Ludwig von Mises during his visit to Peru in the 1950s. Ferrero and von Mises started to exchange books and bibliographical materials Ferrero sent to the NYU library.
- In November 1956, von Mises suggested Frederick Nymeyer to give Ferrero a yearly subscription to “The Freeman” magazine.
- In February 1959, Ferrero wrote an article for that review that is titled “Inflation in underdeveloped countries – a luxury the people can ill afford”. The same article appears in the 6<sup>th</sup> volume of The Foundation of Economic Education’s “Essays on Liberty. Volume VI” of 1959.



# Looking at the records

- “Inflation in underdeveloped countries – a luxury the people can ill afford” (main arguments):
  - High inflation in underdeveloped countries if compared with developed countries
  - Bond market killed: if there is not alternative to finance public works through that, government resorts to “borrowing” from the Central Bank (the money printing problem).
  - Upsetting the labor market and making for bad employer-employee relationships: increasing cost of workers’ “benefits”.
  - Lag in utility rates, depreciation allowances, misdirected investment, and leading towards regulation and controls.

# Conclusions

- Following up the history of neoliberal intellectuals in Latin America could add a new dimension to the history of both the Lippmann Colloquium and the Mont-Pelerin Society beyond the argument on the transfer of ideas  
→there is space for agency.
- Target an important period in economic and political history: Cold War and the South American developmentalist process (1940-1960).
- Because of its discursive nature, neoliberalism should be studied among its institutional legacies: economic policy affected by a lock-in effect.
- There is a necessity to study the actions, papers, and interventions of the South American intellectuals and politicians connected to the MPS network: the necessity of mixing different methods (historical analysis, discourse analysis, among others).