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César Castillo-García

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Waves of Neoliberalism: Revisiting the Authoritarian patterns of capitalism in South America (1940-1990), part I¹

In memoriam *Ciro Alegría Varona*

César Castillo-García
castc583@newschool.edu
Department of Economics
The New School for Social Research

Abstract:

This paper is the first part of a reconstruction of the evolution of neoliberalism in Peru throughout its different historical waves. The Peruvian case was an ideological precursor of the South American neoliberal authoritarianism before the 1950s. In this regard, I challenge a standard historical narrative that states neoliberalism is an outcome of the *transfer of ideas* like the case of the Chilean Chicago-Boys and their other Latin American counterparts (Valdés 1995). The Peruvian experience also constituted an opening episode of the deep transnational connection between the main neoliberal networks (Walter Lippmann Colloquium and the Mont Pèlerin Society) and Latin American economic experts. Since late 1940s, neoliberal intellectuals have implemented institutions and a hegemonic discourse affecting current economic affairs in Peru. They played a role in influencing public opinion through political relations and media outlets and directly devising economic policies. The discourse and actions of the neoliberals in Peru have left *institutional legacies* targeting topics as economic systems, the fiscal and monetary policies, the role of the State, development policies, the private initiative and foreign aid.

1. Introduction

Scholars in history and political economy studied Latin American neoliberalism by following a traditional narrative. For them, the study of neoliberalism focuses on the ideal type of the Chilean Chicago-Boys, the group of technocrats that supported the coup d'état of Pinochet with the aid of the American CIA in 1973. Foxley (1982), Valdés (1995), and Clark (2017) describe this case as a successful process of transfer of ideas, a unidirectional way to implement

¹ Acknowledgements: Beltrán-Kropp Foundation (Washington D.C.) because of granting access to Beltrán's personal records, Professor Quinn Slobodian, who shares the materials regarding Wilhelm Röpke's visit to Peru and its connection to Beltrán, Professor Clara Mattei and the economics colleagues that participated of the informal graduate student seminars at the New School for Social Research, Daniela Castillo-García and Any García-Encinas for their support with the logistics. Special thanks also to professors Bethany Moreton and Dieter Plehwe for commenting previous versions of the paper.

institutions and discourses through the operations of foreign actors and domestic actors that were previously co-opted by the hegemonic power². In the other hand, scholars also identify neoliberalism with the change of policies based on the recommendations of the Washington Consensus. For this perspective, neoliberalism is a child of the Cold War and an instrument of imperial expansion coming from the USA³.

However, the traditional narrative shows four analytical problems. The argument of the “transfer of ideas” ignores the political and historical preconditions (the socio-political infrastructure) that enables the implementation of neoliberal institutions (Bockman 2011, 2019). For instance, Latin American neoliberals already played a role in the economic agencies, cultural institutions, and politics of their countries before the implementation of neoliberalism. This relates to a second issue: in the traditional narrative domestic, “operators” of neoliberalism lack any previous relevance in transnational politics. There is not any awareness about the role of intellectuals, technocrats, and businessmen who were engage in global networks since the beginning of the 20th century. In this regard, the standard narrative de-historize the neoliberal thinking collective (which includes actors from the capitalist periphery) and mislead its two foundational moments: the Walter Lippmann Colloquium (WLC) and the first meeting of the Mont Pèlerin Society (MPS). Finally, the traditional narrative ignores the active agency of the domestic actors integrating the neoliberal network. Latin American neoliberals played an active role in lobbying and demanding a specific design for international institutions. For doing so, they intervene in the public sphere and found organizations defunding their ideas. Their role as public intellectuals allows them to construct an economic common-sense that reframes the public sphere (Harvey 2007, Dardot and Laval 2014, Brown 2015).

This paper takes an alternative route to tell the history of neoliberalism in Latin America. I argue that the Peruvian case is an ideological precursor of the South American neoliberal authoritarianism before the 1950s. The alternative narrative I propose studies the Peruvian neoliberalism as an opening episode of the deep transnational connection between the two foundational events (WLC and MPS) and Latin American economic experts⁴, who played a role

² It is possible to find the application of the narrative in studies about the Brazilian case (Suprinyak and Garcia Fernandez 2015) and the Mexican one (Babb 2001).

³ Scholars applied this narrative when constructing two different histories about the Peruvian neoliberalism. The first crowd tells technocrats brought neoliberal policies to Peru for reversing Velasco Alvarado's developmentalist policies in the 1970s and supported Morales Bermudez's coup d'état (Klarén 2000, Durand 2003, Zapata 2016). The other group focuses on the implementation of the Washington Consensus economic policies during Fujimori's dictatorship in the 1990s (Dancourt 1999).

⁴ This paper complements the previous literature on Peruvian neoliberalism as Adrianzén (2014, 2015) and Ugarteche (2019). Previous literature exploring other Latin American cases: Romero Sotelo (2016) for Mexico, Haidar (2017) for Argentina, and Rocha (2017) for Brazil. See also the *PSL Quarterly Review*, vol. 72, num. 289, June 2019.

in influencing public opinion through political relations and media outlets and directly devising economic policies. In different historical waves, neoliberals have implemented the entanglement of institutions and discourse by constructing and modifying socio-economic relations in the real political economy. They took neoliberal ideas to fix what the public identifies as “good economic policies” and create institutions. Hence, their influence left institutional legacies, affecting the common understanding of fiscal and monetary policies, the role of the State, development policies, and the legislation regarding businesses and private investment.

The first wave shows the public appearances of the French neoliberal Louis Baudin (WLC and MPS) in Peru. Throughout his book *L'Empire socialiste des Inkas* (1928), Baudin contributes to the critique of socialism and Indigenism in the Peruvian society and introduces the term neoliberalism in his conferences of 1947 in Lima. In the second wave, the economists Pedro G. Beltrán and Rómulo Ferrero (first member of MPS) appear in the design of free-market policies implemented during Manuel Odría's dictatorship of the 1950s. I emphasize their relationship with figures as Ludwig von Mises, Henry Hazlitt, Wilhelm Röpke, and Fritz Machlup. Those Peruvian economists implemented developmental policies during the conservative government of Prado Ugarteche (1955-1961). While Beltrán succeeded in bringing Kennedy's Alliance for the Progress to countervail the advance of Castroism in South America, Ferrero acted as a pundit and technocrat in favor of austerity and developmentalist policies.

2. One word that creates a new world: *neoliberalism* as a common-sense, a route map

It is too convenient that a direct accord between workers and capital owners exists. In current Europe, they propose to convert the worker into a co-owner. ...but the great problem is to educate the worker on these matters.

– Louis Baudin, May 16th, 1947

The foggy sky of Lima, which Héctor Velarde Bergmann used to call a “donkey-belly-colored sky” [“cielo color panza de burro”], spectated a particular scene taking place in the year 1947. On May 15th, a journalist of the famous right-wing newspaper *La Prensa* interviewed a French intellectual who used to be a frequent guest of the majestic Bolívar Hotel. Louis Baudin, an economist, lawyer, and ethnologist arrived that year to offer a seminar in the recently founded Instituto Riva-Agüero of the Pontificia Universidad Católica del Perú. The interview that *La Prensa* published has a telling headline: “Louis Baudin tells us about the Neoliberalism, a new

developing ideology” (*La Prensa*, May 16th, 1947). This may be one of the oldest mentions of the term “neoliberalism” in the Peruvian public sphere. One month before Baudin visited Lima, a group of economists, lawyers, philosophers, and businessmen attended a meeting at the Hôtel du Parc in the village of Mont-Pèlerin. The sessions celebrated at the Swiss village gave birth to the Mont-Pèlerin Society (MPS), the *thought collective*⁵ that champions the spread of neoliberal ideas around the world. Baudin was a member and promotor of the MPS, and he also was an attendant of the Walter Lippmann Colloquium (WLC) that was celebrated at Paris in 1938.

The WLC was a meeting organized by the French epistemologist Louis Rougier to celebrate the publication of Walter Lippmann’s *An Inquiry into the Principles of the Good Society* (1937) in France (with the title *La Cité Libre*). The event was the birthplace of the system of ideas covered by the word *neo-liberalism*, a concept that economic conservatives began to discuss as they debated the possible ways to save the doctrine of liberalism from the perils of the crisis of capitalism and the socialist threat. Yet, Reinhoudt and Audier (2018) remind us that the celebration of the Colloquium does not mean that nobody discussed “neo-liberal” ideas before the realization of the event. Walpen (2004) and Plehwe (2009) refers to the first probable appearance of the modern sense of the term neoliberalism in the book of the Swiss economist Hans Honegger titled *Trends of Economic Ideas*. Honegger identifies a theoretical neoliberalism based on the works of Alfred Marshall Eugen von Böhm-Bawerk, Friedrich von Wieser, Karl Gustav Cassel, and others. In 1934, the economist Gaëtan Pirou defined neo-liberalism as the commitment to renew the liberal doctrine. This commitment was explained by French politicians as Pierre-Étienne-Flandin, who emphasized the urgency of revising the old tradition of the liberal economy in 1933.

Likewise, looking at the etymology of neo-liberalism tells us about the intellectual environment in which the Colloquium happened. The main organizer of the WLC, Louis Rougier, was a member of the Vienna Circle. He would have been thinking about the term “neo-positivism” when referring to “neo-liberalism” as a revisited form of “liberalism” in the final WLC’s report. On ideological matters, it is possible to recall that “neo-liberalism” was also defined in reference to the “neo-socialism”. Coming from the decades of the 1920s and 1930s, which Reinhoudt and Audier (2018) call the time of the “neo”s, the neo-socialism of Henri de Man looked for revising

⁵ I follow the definition of Plehwe (2009) for whom a thought collective describes a competing professional/ideological group contributing to the knowledge scientific development. This is a revisited version of the concept proposed by Fleck (1980). In contrast to that classical definition, Plehwe understands that neoliberal thought collective is not a coherent group, because many of its members disagree on specific issues, and that they try hard to convince intellectuals and the general public of the merit of the neoliberal reasoning. Hence, they are open to communicate across disciplines and audiences in the pursuit of gaining hegemony.

the old socialism to face the new challenges of that time as the importance of “rationalization” in the economic process, the role of the middle class and the relevance of authority. That doctrine caught the mind of Rougier, who looked at neo-socialism as a blueprint for neo-liberalism.

Years after, Friedrich von Hayek, who was one of the attendants of the Colloquium and former student of Ludwig von Mises⁶, would establish a collective of intellectuals looking for defending the liberalism at a global scale. Hayek was aware of the main challenges faced by the liberal tradition and identified that the Great Depression had undermined people’s faith in the markets and increase the popularity of the totalitarian regimes. In this regard, he was committed to articulate a renewed version of the liberalism, which was more suited to the twentieth century and that goes beyond the doctrine of the *laissez-faire*⁷. In February 1944, Hayek proposed the creation of the Acton Society, which would be dedicated to put in contact liberals with peer around the world (Caldwell 2022: 1). Hayek’s concerns about the situation of liberalism dates back many years before. In the 1930s, Hayek was a lecturer at the London School of Economics and dedicated their reflections to the question of the fate of liberalism. After the publication of *The Good Society* in 1937, he started correspondence with Walter Lippmann and helped to set the WLC. An idea that both Hayek and Lippmann shared was that the division of labor, democracy and the method of law are three different aspects of the same way of life (Caldwell 2022: 10). Hayek’s project only took place in 1947, when the first meeting of the MPS took place with the financial aid of Harold Luhnnow, the president of the William Volker Charities Fund, and the organizational support of Albert Hunold.

Whereas the history of the term “neoliberalism” clearly relates to the two recalled events, its use has been extended in a heterogenous way. According to Steger and Roy (2010) there are three interpretations of the term neoliberalism. A first interpretation recast neoliberalism as a set of policy measures including economic deregulation, trade liberalization, labor market flexibilization, and the privatization of public enterprises. This interpretation leads most of the social sciences studies criticizing the application of the Washington Consensus. A second interpretation frames the neoliberalism as an ideology or “free-market fundamentalism”, which

⁶ Plehwe (2009: 11) also documented the situation of the Interwar Vienna as presaging neoliberal ideas and proto-MPS structure. The main figure of this period is Ludwig von Mises, who became a prominent opponent of socialist economics and planning as advocated by Otto Bauer, Rudolf Hilferding, and Otto Neurath. Von Mises started with the “socialist calculation debate” and set up one aspect of the neoliberal discourse: the aversion to collectivism. In this context, von Mises began one of the most prominent *Privatseminars* that Hayek and Fritz Machlup attended. Foreign scholars also were attracted to Mises’s seminar as Lionel Robbins, Frank Knight and John van Sickle. Plehwe (2009) also documents that at that time Mises and Hayek were employed by a private business cycle research institute funded by the Rockefeller Foundation to supply economic data to Austrian firms.

⁷ This is a conception of the neoliberalism that other intellectuals as Milton Friedman refers in relation to the narrative of the decline of liberalism since the 19th century as it appears in his “Neoliberalism and Its Prospects”.

aims to defend the free-market and the consumer. In that sense, neoliberalism portrays a positive image of the global market, and represents the commitments of a specific class including businessmen, managers, business lobbyists, journalists, politicians, among others. A third use of the term grasps neoliberalism as a form of governmentality that entails business values as competitiveness, individual interest and decentralization. In that sense, neoliberalism is a form of discourse that identifies a Good Government allowing the well-functioning of the markets and the utilization of modern management tools in the realms of public affairs and the State (strategic planning, risk management programs, cost-benefit analysis).

This paper focuses on the third interpretation of neoliberalism as a specific discourse whose historical development attaches to a specific set of ideas and the actions of the personalities actualizing it and its institutional features (Foucault 2008, Brown 2015, Biebricher 2015, 2018). For constructing a characterization of the neoliberal discourse, I follow three specific references to define it and explain how I apply it as an ideal type. In this regard, the definition of neoliberalism includes two sets of normative aspects that were discussed during the WLC and the first meeting of the MPS. I take both sets of features because they show the historical evolution of the components of neoliberalism, even though they follow a similar pathway in the direction of *freedom* as a political and social value. In addition, I suggest that the identification of the neoliberal field of adversity (ie. their principal political opponents) accounts for a third feature or contour of the operative definition that this paper follows. For the first set of statements, I take the four points that Walpen (2004) traces in the discussions of the WLC that Reinhoudt and Audier (2018) document: (i) the priority of the price mechanism, (ii) the free enterprise, (iii) the system of market competition, and (iv) the promotion of a strong and impartial state. This neoliberal agenda also includes two central concepts appearing in Lippmann's book: the issue of the human person and the idea of the rule of law (Schulz-Forberg 2019: 365).

Defined in these terms, the concept of neoliberalism lacks other normative elements included in the last draft of the Statement of Aims of the MPS that Lionel Robbins prepared. Therefore, a second set of ideas corresponds to this Statement, which are documented by Hartwell (1995) and Plehwe (2009). The MPS Statement refers to a set of tasks including economic freedom and individualism, the affirmation of moral standards, and the promotion of social minimum standards (acknowledging the limits of private charity). Plehwe (2009: 26) also emphasizes a set of neoliberal beliefs on the positive state functions corresponding to any free society, the necessary predominance of a well-defined system of law and order, and international trade. The

neoliberals were also politically committed to enhance scientific methods to combat the misuse of history. These set of statements represent what Biebricher (2018: 26) calls “the political and social conditions of possibility for functioning markets” (in other words, the factors indispensable to the maintenance of functioning markets). Finally, Biebricher (2018) defines the field of adversity of neoliberalism as composed by two groups. The first one is represented by the intellectual movements, regimes and political parties that neoliberals label as “collectivism”. This includes both Fascist and Communist regimes, but also parallel social phenomena that neoliberals identified as potentially illiberal: the welfare state, the Keynesianism, and their promoters among the trade unions. The second group includes the promoters of the *laissez-faire* liberalism, who were identified by different neoliberals as the (non)political insider contributing to the declining of the liberal tradition and causing the public appealing of collectivism.

About the study of the actions of neoliberals, this paper suggests additional methodological elements. First, the discursive nature of neoliberalism requires to think it as creating a new imaginary about practices, institutions, and delimited spaces. In this regard, I follow Mitchell (1998) who discusses the word “economy” as creating a new social sphere and delimiting economic institutions (the government, the household). Mitchell calls this process “to fix the economy”, a phenomenon requiring actors “imagining” the *economy* and the *economic* through studies, documents, and public actions. The dynamics of this reproduction process constitutes what Callon (1998) and Çalişkan and Callon (2009) call “economization”. In that sense, these authors focus on the behaviors, organizations, institutions and, more generally, the objects in a particular society which are tentatively and often controversially qualified, by scholars and/or lay people, as ‘economic’. I suggest a constrained utilization of this strategy exclusively targeting the action of neoliberal intellectuals that conceive (1) certain theories of the economy and (2) modify the institutional and technical arrangements that affect the actions and cognition of the agents of the public.

It is possible to refer to neoliberalization processes when studying the emergence of neoliberalism in a country. The reproduction of neoliberalism implies to reframe economic concepts and create new institutional settings. Neoliberalization may be understood as the inception of a new *common-sense* redefining the public conception of the political economy. In structural terms, this could be interpreted as creating path dependency effects (Setterfield 2015): locking-in the ways of doing and publicly supporting certain economic policies. This institutional understanding of neoliberalism and the policies it supports also relates to the

classical political economy approach to institutions and economic outcomes. For instance, De Brunhoff (1978) suggests that the profitability of capital, which is attached to the public management of the two fundamental commodities of labour-power and money, requires a particular form of the relationship between capitalist state's economic action (economic policy) and politics in general. Likewise, the approach of social structures of accumulation (SSA) emphasizes the importance of capitalist power operating through economic policies (taxation, trade, among others) for maintaining the levels of profitability and guaranteeing the recovery after a period of boost (Gordon 1991).

The byproduct of the neoliberalization process is the establishment of *institutional legacies* that I identify as established by technocratic actors. When these legacies are supported by the public, they gain the status of institutional constraints that must be considered when challenging economic policy in either a reformist or radical aim. The technocratic and political actors constantly intervene in the social imaginary to reproduce (and reframe) the neoliberal conceptions of the state, the economic policy and the economic development. Finally, this opens a field to understand the authoritarian patterns of the neoliberal discourse. As suggested by Mattei (*forthcoming*), the history of economic thought in the 20th century requires to look at the way economic policy was done. In that sense, targeting the actions of neoliberal intellectuals lead us to go beyond the study of handbooks and treatises in economics and to dive into other archival materials as public speeches, policy reports, public interventions, and clippings.

In the next section, I tell the history of the Peruvian neoliberalism since the late 1940s. Different modalities of neoliberalism has been manifested throughout time. This is the reason why I map *waves* of neoliberalism, each of which relates to an individual or group of personalities that actualize and reproduce the neoliberal discourse in different moments of the history of 20th century Peru. This paper identifies Peruvian neoliberals maintained a nexus with the WLC and the MPS. I also use references of personalities that self-identify as neoliberals⁸. For them to recreate the neoliberal hegemony requires creating institutions, intervening in academic discussion, implementing social and economic policies, or operating through media outlets (newspapers and other mass-media).

⁸ This was the strategy that Friedrich (1955) uses to target the works of the German ordoliberals and to sketch the political theory of neoliberalism. Bailey (1965), Walpen (2004) and Mirowski and Plehwe (2009) follow a similar methodology.

3. Waves of Neoliberalism in 20th Century Peru

a) Louis Baudin: Neo-Liberalism, Incas' Socialism, and the Indigenous Question

La liberté du choix dans la consommation, première des libertés humaines d'ordre économique, est en voie de disparition. [The freedom to choose what to consume, the first human freedom of economic character, is endangered.]

– Louis Baudin, *Les Incas du Pérou* [The Incas of Peru] (1947a)

The way the term neoliberalism arrived to the South American Pacific relates to the activism and fame of Louis Baudin. The famous economist was an attendant of the WLC in 1938 and founded the *Centre international d'études pour la rénovation du libéralisme* (CIRL) (Minart 2016). He also became the Vice-president of the MPS in 1958. In 1946, Baudin organized a conference series before the *Comité d'action économique et douanière* [Economic and Customs Action Committee] in which he attempted to bring new life to the neoliberal doctrine (Baudin 1947b: 15). By that time, Baudin was a professor of Political Economy at the Faculty of Law and Economics at Paris (nowadays called the Faculty of Law at Paris). He had maintained this chair since 1935, the same year when he gave up a previous position as a professor of Industrial Legislation at the Faculty of Law at Dijon. He was also president of the *Société d'économie politique* (1946-1950)⁹. His economic production was related to the works of other French neoliberals as Louis Rougier, Louis Marlio, and Jacques Rueff, and he was associated to other European figures as Ludwig von Mises, Wilhelm Röpke, and Albert Hunold. He became an internationally respected economist after he wrote a memorandum for the Institute of Intellectual Cooperation, whose title in English is *Free Trade and Peace*¹⁰.

Hence, it is not exaggerated to say that Baudin was a foundational figure in the history of global neoliberalism when he came to the Pontificia Universidad Católica del Perú (PUC) in 1947. The history of this visit began with the foundation of the Instituto Riva-Agüero by authorities of the university and a group of professors from the faculties of Law, History, and Economics on May 18th, 1947. The first director of the institute was Víctor Andrés Belaunde, and the institution named before the Peruvian fascist intellectual José de la Riva-Agüero y Osma (López Soria 1981). The Instituto had as objectives to offer an environment for the study of the high humanist

⁹ On May 31st, 1965, Rómulo Ferrero mentioned to Fritz Machlup that he was a member of the *Société*. See letter of Rómulo Ferrero Rebagliati to Fritz Machlup. Hoover Institution, MPS records, 37-7, Fritz Machlup, Ferrero, Rómulo A.

¹⁰ This Institute was a transnational organization and League of Nations consultative body for research and researchers dealing with questions of global order and peace. By 1939, Baudin also was a member of the Economists Council to assist the Fiscal Committee in the Enquiry on the Behaviour of Tax Systems. He participated in this group with other figures associated to austerity policies as R. G. Hawtrey (United Kingdom), Bertil Ohlin (Sweden), and Oskar Morgenstern (Austria) (*League of Nations*, C.3.1939).

and scientific culture, to spread the Catholic thought in the intellectual centers of Peru, and to support the research on planning and analyzing Peruvian problems (Derecho PUCP, n° 7, 1947b). Baudin gave his conferences in the month of June that year. He inaugurated his round of seminars with a lecture on the theory of elites.

Baudin mentioned the term neoliberalism during the first of these conferences on *The Contemporaneous Conflict of the Economic Doctrines*. He defined as economic doctrines what are called theories of economic systems nowadays. At the beginning, he presented a framework to understand both liberalism (that was mistaken as mere individualism) and socialism (a doctrine that prioritizes the collective and interpret the nation as an individual). Nevertheless, his argumentation emphasizes the weakening of this doctrines by that time and their adaptation to the new context of the 1940s under the label of “neo-doctrines”. He enumerates the neo-socialism, the neo-corporatism, and the neo-liberalism (Baudin 1947b: 14). According to Baudin, the neo-socialism plans a progressive socialization: the socialization of power, then the socialization of profits (trusts and cartels controlled by the State), and finally the socialization of the property. On the other hand, neo-corporatism praises the destruction of the Marxist dogma of class struggle and the conciliation of both patrons and workers in a common board. It also develops in three stages: the economic (distributive institution – OCRPI), the social (Charter of Labor implying the stablishing of social committees in the factories), and the socio-economic (grouping both institutions in the corporation). Both doctrines were captured by the German experience which incept its authoritarian root in the first one and transform the second into a state corporatism.

Baudin gave a more thorough description of the third doctrine. He told the audience the birthdate of this doctrine took place during the WLC celebrated in Paris in August 1938 and mentioned the names of some attendants as Friedrich von Hayek, Ludwig von Mises, Lionel Robbins, Wilhelm Röpke, Alexander Rüstow, and Michael Heilperin. The neoliberals von Mises and von Hayek played a role in attacking the socialism before the WWII. They emphasized the inconveniences of this theory and its incompatibility with the development of welfare. The sin of socialism is its incapacity to replace the price mechanism with other forms of calculation (Baudin 1947b: 15). In that sense, the first main goal of neoliberalism is to reestablish the system of prices, which necessarily matches a more complex economy that attains a high level of well-being. From a development perspective, the system of prices goes by the hands with the modernization of the society because it destroys the exchange based on personal relationships and transformed the men in independent beings. However, the system of prices requires to be

complemented with state action sustaining the system. In a well-functioning system, the state aids and reeducates the unemployed, does public works, applies birth control, and cares about agriculture policies. “The state is strong for the individual to be free” (Baudin 1947b: 16) but acts for disappearing in some point. Hence, neoliberalism requires a “theory of elites” showing that the best-skilled should lead the economic process. It does not matter the ideology of the men embodying the elite, but they must be loyal and work for the common good.

The visit of 1947 was not the first time that Baudin came to Lima, not the first time that the Peruvian public had heard about him. Baudin became famous in Peruvian and French intellectual circles after writing *L'empire socialiste des Inka* [A Socialist Empire. The Incas of Peru] in 1928¹¹. *L'empire* was object of many reviews and became a document of reference for Peruvian experts in the fields of pre-Hispanic history, ethnology, and sociology. For instance, Urteaga (1929) praises *L'empire* as a contrafactual to test the viability of the Russian revolution and the institutions it created. The Peruvian fascist intellectual José de la Riva-Agüero quoted Baudin during his lectures about the *Civilización tradicional peruana* [Peruvian Traditional Civilization] (1937). In 1939, Louis Baudin was awarded the title of Doctor honoris causa by the Faculty of Economics at PUC because of his contributions in the fields of Economic History and Economic Sociology. He was also awarded the same title by the University of San Agustín at Arequipa and the University of Cusco. In September of the same year, he participated in the 25th International Congress of Americanists, in which he was a vice-president of the Board of Directors with other Peruvian and international academics as Horacio H. Urteaga, Max Uhle (Germany), Ricardo Rojas (Argentina), and Ricardo E. Latcham (Chile). He gave a conference titled “The Current Status of the Economic Organization of the Inca Empire” in the Fourth Section dedicated to Social Anthropology (Ethnology and ethnography)¹².

L'empire is relevant for being one of the most important academic pieces of Baudin. Because of chronological reasons, we must not consider the book as a neoliberal work, yet it would be useful to label it as a proto-neoliberal document including elements of the further neoliberal repertory. The main objective of this book is to critically study the socialist regime of the Incas empire. That is the reason why *Foundation of Economic Education* (FEE) financed the first

¹¹ *L'Empire* was the fifth volume of the series *Travaux et mémoires de l'Institut d'Ethnologie* of the University of Paris. It is a summary of a set of studies that Baudin wrote in the 1927 with the *Institut*. The first paper he published on the question was titled “Une expérience socialiste, le Pérou des Inkas”, *Journal des Economistes*, July 15th (1927). Leduc (1965) also tells that *L'empire* was the first prominent study of Baudin. According to Claude Lévi-Strauss, the book was the only work on the Incas written in the French language by 1962.

¹² Study this event is also important because of the participation of the first Peruvian member of the MPS, Rómulo Ferrero Rebagliati. Ferrero took part of the referred section with a conference titled “The Americas and the world agriculture” (*Revista de la Universidad Católica*, 7, nº 6-7).

English translation of the book in 1961¹³. This edition includes a foreword of Ludwig von Mises, who was a close friend and associate of Louis Baudin. Von Mises praised the work as an important study of “(...) the shadowy outlines of life under a collectivist regime, the spectre of a human animal deprived of his essentially human quality, the power to choose and to act. (...) Professor Baudin analyzes the conditions of this bizarre world of uniformity and rigidity”. (Baudin 1928 [1961]: xi)¹⁴

The question of the collectivism of the Inca regime was a discussion about economic systems in the later 19th century. Karl Marx referred to the primitive communism of the Incas in the *Capital* volumes II and III.¹⁵ In 1883, Gregori Plekhanov referred to the Peruvian communism in his work *Socialism and the Political Struggle* to criticize the implementation of an authoritarian socialist regime in Eastern Europe. As an archeological and sociological matter, Herbert Spencer referred to the Inca socialism as related to its military character in his *Principles of Sociology* (1879)¹⁶. The German Marxist theorist Heinrich Cunow wrote *Die soziale Verfassung des Inkareichs* (1896). He explained that for the Peruvian socialism the Inca emperors never created anything but an artificial link between the tribes conquered by them. The Inca have added nothing to the pre-existing institutions and have limited themselves to appropriating them; the Empire constituted not a real State, but an agglomeration of peoples brought together by force under the same scepter. The only fundamental institution, forming a social unit, was the clan (ayllu), which he considered the basic unit of the Inca society. After that, Vilfredo Pareto's *Les systèmes socialistes* (1902: 189-193) referred to Cunow's work and mentioned that the Inca civilization embodied a socialist regime, yet he criticizes Cunow for identifying the German marca with the ayllu. Pareto also referred to the servitude state of the ancient Indians in relation to their lack of energy and individual initiative and took this element to explain why they do not put high resistance to the Spanish conquest. Nevertheless, authors as Rosa Luxemburg insisted on identifying both the Peruvian ayllu and the German marca as the basis of the agrarian communism in her unfinished book *Introduction to Political Economy*¹⁷.

¹³ A previous translation in Spanish was published in 1943 by the Chilean Zig Zag S.A. Similar arguments appear in the book *Les Incas du Pérou* (1947), yet Baudin includes a couple of chapters to discuss the Indigenist movement and the relationship of the Inca socialism to the utopias of the Renaissance.

¹⁴ We take the numeration and English cites of *L'empire* from the 1961 English edition. This is an important disclaimer because the structure of the English edition differs from the French original: the former one relocates the first chapter discussing the sources into the appendix section.

¹⁵ Bellamy Foster, Clark, and Holleman (2020) provides the next quotes: Karl Marx, *Capital*, vol. 2 (London: Penguin, 1978), pp. 196, 226; Marx, *Capital*, vol. 3, (London: Penguin, 1981), 1017.

¹⁶ Spencer used as main references to construct his understanding of the history of the Inca empire Prescott's *History of the Conquest of Peru* (1947) and Garcilaso's *Comentarios Reales de los Incas* (1609).

¹⁷ For a detailed study of this issue, see Michael Löwy (2010) "Rosa Luxemburg and Communism". For the specific fragments of Luxemburg's book, see Peter Hudis and Kevin Anderson (2004) *The Rosa Luxemburg Reader*.

In Peru, the conservative thinker Víctor Andrés Belaunde wrote his study *El antiguo Perú y los modernos sociólogos* (1908) to engage with this discussion. He identifies both the words socialism and communism when criticizing the explanation of Spencer (Belaunde 1908: 92). For him, communism is not a political term but a sociological concept referring the social constitution based on communities as the ayllu (Belaunde 1908: 24). Hence, the ancient Peruvian communism is not the result of a socialist plan, but the consequence of the union of the small groups or ayllus that collectively occupied the land and that the Quechua tribe dominated. Therefore, Peru was not the archetype of the Socialist state and there was no reason to implement such a government in the country at the beginning of the 20th century¹⁸. He also agrees to his colleague José de la Riva-Agüero, who interprets the socialist character of the Inca's as connected with the previous tribal social form of the ayllu, but he adds that there existed a monarchy before the constitution of the Inca empire. In 1920s Peru the debate gained more prominence while the question of the legal recognition of the indigenous communities became central (the indigenous question). By this time, the Peruvian dictator Leguía created the Patronage of the Indigenous Race and the Section of Indigenous Affairs (1922). Likewise, José Carlos Mariátegui founded the Peruvian Socialist Party and published the *Siete Ensayos de Interpretación de la Realidad Peruana* [7 Essays] in 1928¹⁹.

In this context, *L'empire* of Baudin criticized the project of a communist utopia based on the Indian agrarian community. The first innovation of the book is to distinguish between the agrarian collectivism of the pre-Inca communities and the state socialism imposed by the Incas, who were the first conquerors of the ancient agrarian civilizations of Peru. In that sense, Baudin follows Cunow (1896) and Saavedra (1903)²⁰ to identify the *ayllu* as a remnant social form that was absorbed by the Inca socialist empire. The *ayllu* or the agrarian community was the substructure or the ancestral element of the Inca empire. It was not a reasoned creation as it could happen in the State socialism, but a spontaneous development of a long natural evolution of the pre-Inca society (Baudin 1961 [1928]: 88)²¹. In that sense, the *ayllu* presents its own agrarian policy and its own mechanism of distribution that assign a portion of the product to the

¹⁸The approach of Belaunde to the Inca's communism relates to the works of Cunow (1896) and De Greef (1908). The later also explain the communist character of the Inca empire as a long-standing social form coming from the experience of the pre-Inca communities.

¹⁹ According to historians of the Peruvian Indigenist movement, the *Siete Ensayos* [7 Essays] encouraged members of the white and mestizo Peruvian middle-class to support the cultural movement in favor of reclaiming a space for the indigenous culture in the Peruvian public sphere.

²⁰ The Bolivian Bautista Saavedra wrote the study *El Ayllu* (1903). Saavedra suggests the ayllu was a patriarchal structure that existed before the Inca empire. In this regard, the Inca communist organization is a result of the predominance of the primitive communities (Belaunde 1908: 98).

²¹ We take the numeration and English cites of *L'empire* from the 1961 English edition. This is an important disclaimer because the structure of the English edition differs from the French original: the former one relocates the first chapter discussing the sources into the appendix section.

Sun, the second to the Inca, and the third to the community (Baudin 1961 [1928]: 64). The latter was divided into *tupus*, which was the parcel of land necessary for the sustenance of a childless household. Baudin considers this as a particular form of private property redistributed among the people (Baudin 1961 [1928]: 66).

The complexity of Baudin's analysis relates to his description of the collectivist regime. From an economics perspective, he explains the scattered character of the Indigenous communities and their traditionalism as imposed by the geographic conditions of the Peruvian territory (Baudin 1961 [1928]: 7). Besides, an economic principle ruled the functioning of the empire: the Malthusian principle of the population, that explains the motivation of the Incas to attain engineering and culture development (Baudin 1961 [1928]: 23). In addition, Baudin, who was a lecturer on the theory of elites and a follower of Pareto's sociology, suggests the importance of a second socio-economic foundation: the principle of hierarchy²². The Inca empire was a centralized economy but not an egalitarian one. Hence, the structure of the empire²³ distinguished between the Inca (the supreme chief), the individual elite²⁴ (whose was ethically superior and integrated a solidary class working in favor of the people), and the people (a mass formed by the strict interdependence of its elements, the *hatunruna*, who were the laborers and taxpayers, and the *yanacunas*, who remained in a status of slavery)²⁵.

In that sense, the Inca state socialism represented the superstructure or the rational plan. Here, Baudin emphasizes a first topic connected to the neoliberal individualism: that the plan "*tends toward the virtual absorption of the individual by the state*" (Baudin 1961 [1928]: 88). Furthermore, Baudin uses the ideal type praised by the European modern state socialists, who propose to respect the private property and the individual initiative. In this regard, the Inca empire remained a similar social system that preserved the previous existing order of the agrarian communities (Baudin 1961 [1928]: 89). Also, the Inca system leaves space for the *personal interest* by giving scope to the distribution of gifts and stablishing a public system of

²² This description relates to the further work of Baudin regarding corporatism. According to Kaplan (2001: 37), Baudin was a supporter of that doctrine as a third way between the mistaken *laissez-faire* liberalism and the disastrous socialism. This is an idea that right-wing thinkers of both Europe and the Americas share. In *Le Corporatisme* (1941), Baudin referred to the Peruvian corporatist movement of the thirties: the *Legión Peruana*, whose main chiefs were Miguel Merino-Schröder and Raúl Ferrero Rebagliati, and the work of the Italian-Peruvian Carlos Radicati di Primeglio (*De las antiguas a las modernas corporaciones*, 1938) (Baudin 1941: 112-113). Ferrero wrote a thesis titled *Marxismo y Nacionalismo. Estado Nacional Corporativo* (1938) on the possibility of implementing a national corporatism in Peru. For more details about this topic, see Castillo-García (2022), *The crooked timber that bore fruit: Peruvian fascist intellectuals of the 1930s and the echoes of their influence nowadays*.

²³ Baudin shows that the Spanish conquerors maintained some elements of this social structure. Refer to it in this paper is not a random decision. This is a common scheme that is used to tell the history of the Incas in the Peruvian primary schools.

²⁴ The elite was integrated by the Inca nobility (who deserved the privilege of education), the *amautas* (the educators of the elite), and the *curacas* (the local rulers) (Baudin 1961 [1928]: 46-51).

²⁵ According to Baudin, the mass of the people gathers the instinctive and passional elements that it unifies and homogenizes (Baudin 1961 [1928]: 44). He also adds that the mass is hostile to the elite and that the latter only recruits itself, without any dependence from the mass (Baudin 1961 [1928]: 45).

rewards (Baudin 1961 [1928]: 173). The imposition of a state control by planner lead to specific outcomes as the division of the population in groups of tenths, and the requirement of a general language (the Quechua) (Baudin 1961 [1928]: 93). Likewise, Baudin proposes an economic explication of the Inca's planning: the management of the demand through the limitation of needs of the population (a simplification of the demand), and the management of the supply (making agricultural work and military labor compulsory practices, constraining the division of labor and the application of conservation techniques).

The proto-neoliberal commitments of *L'empire* proposes a normative criticism of the Incas socialism. This "menagerie of happy men" was a social system in which the state *gradually absorbed the individual and annihilated the human personality* (Baudin 1961 [1928]: 208). The Inca system guaranteed a minimum well-being by eliminating any source of economic chance but limiting the aspirations of the population (Baudin 1961 [1928]: 207). According to Baudin, the Incas stabilized the society and gained the support of the mass by banishing the *poverty and idleness*. Although, they simultaneously dried up the two springs of progress: *initiative* and *provident concern for the future* (Baudin 1961 [1928]: 200). The rule of the Inca deserved for the Indians a state of inertia that is expressed in the passive role of the Indigenous people. Baudin suggested that the Indians lack any interest in political or economic movements and are incapable of defending themselves: they look for a Spanish *cacique*, an *hacendado* or a *curaca*. Baudin believed that the Spanish colonization was an enterprise bringing improvements to the life of the Indians. The authors suggests that Europeans introduced new method of agriculture and scientific knowledge, and that the Spanish Viceroyalty looked for improving the material life and protecting the political status of the indigenous people (Baudin 1961 [1928]: 213).

In this regard, the persistence of the basic institution of the agrarian community at the beginning of the 20th century represented an element of backwardness for the Peruvian economy. Baudin and his followers used this idea to attack the Peruvian socialists and the Indigenism movement of the 1930s. In his review of the *7 Essays*, Baudin criticized Mariátegui's biased analysis of the indigenous question²⁶. The French author neglects that communist forms of government were compatible with the primitive societies and that the socialist democracy (the collectivization of the means of production) is the only way to attain social justice. Baudin (1930) affirms that Mariátegui is wrong by praising the dissemination of the anti-individualistic character of the

²⁶ Similar critiques appear in Víctor Andrés Belaunde's (1931) *La Realidad Nacional*. In the book, Belaunde criticizes the socialist proposal of the collectivization of the land. Instead, he suggests for the indigenous communities a mixed "reformist" solution based on the race: the extension of private property regime for the mestizo or modernized indigenous population and the modernization of the community for the indigenous mass (Belaunde 1931: 36).

indigenous through extending the agrarian communities. His reasons are that there is no possibility to equalize both whites and indigenous peoples and that collectivization based on the model of the Indian agrarian communities would mean a social regression. For Baudin, the extensive regime of the agrarian communities could destroy any individual society that attached to the principles of private property and liberty.

b) Pedro Beltrán, Rómulo Ferrero, and the Developmentalist Peruvian Experiment

“The objective to which we aspire is clear: to improve the lot of the common man, to equip him for the battle of life, to free him from the scourge of misery and the torture of ignorance, meanwhile respecting his liberty and his dignity as a creature made in the image of God. We knew well that to achieve this objective, the stability of our economy is the cornerstone (...) It is the means to an end but not the end itself”

– Pedro G. Beltrán, *Liberty and Welfare. Closing Address at the II Assembly of the Inter-American Development Bank* (1961)

“La segunda confusión es creer que los países son pobres porque no tienen industrias, cuando la realidad es la inversa, a saber, que no tienen industrias porque son pobres, ya que ello no les permite contar ni con los capitales necesarios para su desarrollo (...) el desarrollo económico debe ser equilibrado y perseguido en todos los frentes, sin dejarse llevar de prejuicios.” [The second confusion is to believe that countries are poor because they do not have manufacturing, when the reality is the opposite, that they do not have manufacturing because they are poor, because this does not allow them to have the required capital for their development (...) economic development must be balanced and pursued on all fronts, without being carried away by prejudice.]

– Rómulo A. Ferrero, *El desarrollo económico y el comercio exterior* [The Economic Development and the Foreign Trade] (1955)

A second wave of neoliberalism in Peru relates to the participation of Pedro Beltrán and Rómulo Ferrero in the debate about austerity policies (fiscal, monetary, and industrial) and development economics in Peru²⁷. Pedro Beltrán was a prominent figure of the South American politics and one of the first professional economists trained in a British school. In 1913, he studied Laws at the King's College of London, just one year before his family got trapped under the fire of the WWI. In 1918, he got his bachelor's degree in Economics at the London School of Economics (LSE). During that time, most of the faculty of the LSE took part of the Fabian Socialism, yet lectures of conservative economists as Edwin Cannan, Lilian Tomn Knowles, and H. S. Foxwell and figures as Graham Wallas appealed more to Beltrán²⁸. After his graduation, he kept visiting

²⁷ I take the notion of austerity policies that Mattei (forthcoming) explains in terms of the austerity trinity: a fiscal strand prioritizing the diminishing of social expenditure and inflation, a monetary strand looking for dear money and lifting of controls, and an industrial strand targeting workers coercion and the diminishing of real wages.

²⁸ See LSE - Pedro Beltrán, *student dossier 1914-1918* and Hayek (1946). Additional oral evidence can be found in the papers of

the LSE and he almost obtained the Ms.C. in Economics in the same institution. It is likely he got introduced to the ideas of Lionel Robbins and Friedrich von Hayek during this time²⁹. Beltrán was a member of the Peruvian business elite, he had investments in cotton and sugar production (he owned the hacienda Montalván) and venture into the oil industry³⁰.

A multifaceted economist, Beltrán participated in the transnational public sphere as a technocrat, a politician, and a publisher. After being an economic Advisor of the Peruvian President Augusto B. Leguía, he became Vice Chairman (September 1929 - December 1933) and Chairman (1949-1950) of the Board of Governors of the Peruvian Central Bank. He got to the first position at the same time he was the head the Agriculture National Society (SNA, in Spanish), the guild of agriculture exporters of Peru (1927-1934). After these positions, he assumed as Peruvian Ambassador in USA (1944-1945) and was appointed as the Head of the Peruvian Delegation at the Bretton Woods Conference³¹. Later, he became chief of the Commission for Agrarian Reform and Housing (1956) and Minister of Finance and Prime Minister of Peru (1959-1961) during the government of Manuel Prado Ugarteche. Because of these later duties, he was elected as the representative of the Latin American countries before US during the Inter-American Economic Conference in Punta del Este (1961).

As a politician, Beltrán was the founder of electoral alliances that he characterized as patriotic and non-partisan (independientes) but that were disguised right-wing movements³². He started

Hilton (Ronald): Audiovisual File 1929-2003, Box 13, Hoover Institution, Stanford University. Edwin Cannan was Beltrán's professor on Elements of Economics and Economic Theory and the curator of first 20th century edition of Adam Smith's *The Wealth of Nations*. He was a follower of William S. Jevons as well as a pioneer of welfare economics and a critique of socialism and the classical economists whose errors fostered socialist malcontent (Parvini 2020: 231). Lilian T. Knowles was a professor of Economic History of England. H. S. Foxwell was a lecturer on finance and a supporter of austerity measures during the beginning of 20th century. Graham Wallas was Beltrán's professor on Central Government and an associated of Walter Lippmann.

²⁹ See David Rockefeller's *Memoirs* (2003). Rockefeller explains that he met Beltrán in 1938 and that the Peruvian attended many seminars in the graduate faculty of LSE that year. Beltrán's *LSE-student dossier* shows that he applied for the MsC in Economics at LSE in 1937 to research money and banking under the supervision of Philipp Barrett Whale (who was the Ph.D. advisor of the Nobel Prize Leonid Hurwicz since Fall 1938). He registered for the classes in January 1938 but gave up his studies in July 1938 because of business reasons. After this encounter, David Rockefeller introduced Beltrán to his brother Nelson who became Office of Interamerican Affairs of Franklin D. Roosevelt when Pedro Beltrán became Peruvian ambassador to the USA (Rockefeller 2003: 85).

³⁰ See Thorp, Rosemary (1974) *The Klein Correspondence: a study of policies and strategies of the Peruvian elite and foreign firms*. Mimeo.

³¹ Schuler and Rosenberg (2012) show the list of the Peruvian delegates before Bretton Woods: Manuel B. Llosa, Second Vice President of the Chamber of Deputies and later Minister of Economy (1948); Foreign Minister Andrés F. Dasso, Senator from Lima and later Minister of Economy and Finance (1950-1952); Juvenal Alvarez Calderón, Senator from Lima; Juvenal Monge, Deputy from Cuzco and previously Professor of Engineering and Economics at the National School of Engineering; Juan Chávez Dartnell, Minister and Commercial Counselor of the Peruvian Embassy at Washington; Emilio G. Barreto technical advisor of the commission and later Chairman of the Peruvian Central Bank (1969-1974); and the secretary Alvaro Rey de Castro third Secretary of the Peruvian Embassy at Washington.

³² See Pedro Beltrán papers at The Beltrán-Kropp Foundation and the New York Times Company records at the New York Public Library (Orvil Dryfoos papers, Box 1, Folders 7-8 Beltrán, Pedro (Mr. and Mrs.) 1948-1959.) The history of the label "independiente", which characterizes some political parties, dates to the Constitutional debate in Peru in the 1932-1933. Víctor Andrés Belaunde, Manuel Bustamante de la Fuente, among others identified themselves as independent senators and deputies in contrast to the congressmen of the leftist populist APRA, the right-wing and later fascist Unión Revolucionaria, the Partido Descendralista (integrated by former supporters of Leguía) and the Partido Socialista del Perú. The *Movimiento Cívico Independiente*, a non-

the *Partido Nacional Agrario* [National Agrarian Party] with the agriculture exporters Gerardo Kingle and Manuel González Olaechea (1930). In 1947, Beltrán founded the *Alianza Nacional* [National Alliance] with the pundit Eudocio Ravines³³ and the businessman Pedro Roselló. Finally, in 1961 Beltrán created the *Independiente Movement* to run in the 1962 elections, which were intervened by the coup d'état of Ricardo Pérez-Godoy. Besides his participation in partisan politics, Beltrán played a political role as publisher and co-owner with agriculture producer Gildemeister of the conservative newspaper *La Prensa* (1934-1976), which got into an association with the *New York Times*.

Even though he was not affiliated to the MPS, Pedro Beltrán was part of the neoliberal network. In an article of September 25th, 1961, Hazlitt mentions Pedro Beltrán as one of the prominent attendants of the MPS society meeting at Turin, where intellectuals of eighteen countries met during the first week of September. The friend relationship between both intellectuals gets back to the late 1940s. It is through the tide with the private investor Douglas H. Allen that Hazlitt contacted Beltrán on September 24th of 1948. This happened after Malcolm Muir and the Editorial Board of the *Newsweek* decided to support his journalist trip to South America. The initial proposal changed to a shorter journey to Peru starting on November 12th of the same year³⁴. Pedro Beltrán hosted Hazlitt's visit and introduced him to the Peruvian businessmen and economists concerned with the economic situation and the problems of the system of multiple exchange rates of Peru. As a result, Hazlitt wrote two articles 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)³⁵.

Hazlitt helped Beltrán to reach out Ludwig von Mises³⁶. In 1950, Beltrán invited von Mises to give a series of conferences in visit Lima with the financial aid of the Peruvian Central Bank³⁷.

partisan electoral coalition, joined Beltrán's *Alianza Nacional* in late 1940s. Beltrán also supported the *Movimiento de Independientes* (1961), who run under the slogan "Techo, Tierra, Trabajo y Técnica" [Housing, Land, Work, and Technology]. The label "independiente" appears later in the slogan of the neoliberal Mario Vargas Llosa's *Movimiento Libertad*: "Los independientes unidos en Libertad" [The independents joined in Liberty]. Nowadays, Peruvian political economy analysts mistakenly understand that independentiente and centrist are identical political categories.

³³ Former leader of the Peruvian Socialist Party after the death of José Carlos Mariátegui and onetime agent of the Comintern in Chile and Peru. Ravines became an employee of Beltrán in *La Prensa* newspaper. He authored *The Yenan Way*, a book that was first published in English by a MPS member, the American William F. Buckley, Jr.

³⁴ See the exchange between Henry Hazlitt to Pedro Beltrán (Sep 24th; Oct 27th; Nov 1st, 1948). Henry Hazlitt Archives Beta version. Correspondence. Pedro Beltrán 1948-1982 (http://www.hazlitt.ufm.edu/index.php/Main_Page)

³⁵ This 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 Roy Harrod's thoughts on the issue. A compilation of Hazlitt's columns is Marc Doolittle (2011). *Business Tides. The Newsweek Era of Henry Hazlitt*. Auburn: Ludwig von Mises Institute, pp. 105-108.

³⁶ See letter of Henry Hazlitt to Pedro Beltrán (March 9th, 1950). Henry Hazlitt Archives Beta version. Correspondence. Pedro Beltrán 1948-1982 (http://www.hazlitt.ufm.edu/index.php/Main_Page)

³⁷ See the correspondences exchange between Pedro Beltrán and Ludwig von Mises (March 16th, 1950; March 23rd, 1950). Ludwig von Mises Archives, Box 4, Folder 10, Items 1-2. In the letter of March 16th, Beltrán told von Mises about his brother Felipe Beltrán

Von Mises gave the first one at the Bank on April 3rd and talked about monetary stability, the control of inflation and the right way to structure policies in favor of financial stability (*La Prensa* April 4th, 1950). The second conference happened on April 13th at the Laws and Political Science faculty of the Universidad Nacional Mayor de San Marcos (*Anales de la Universidad Mayor de San Marcos* num. 3, 1950, p. 184). The title of the conference was “Planes para la unificación económica” [Plans for Economic Unification]. The visit of von Mises has a promotional objective: support the type of monetary policies that Beltrán implemented in the Central Bank and that Odría’s administration was slowly lifting³⁸. In the issue of April 1st, *La Prensa* published a brief bio of von Mises. Then, on April 3rd, the newspaper published a notice of Beltrán talking about credit restrictions and the risk of deflation. On April 5th, *La Prensa* published an interview to von Mises in which he praised the policy of lifting price and exchange controls in Peru.

When reporting his tour to South America in the *Frankfurter Allgemeine Zeitung* (June 4th, 1960), Röpke mentioned the developmentalist policies implemented by Beltrán during the late 1950s. Röpke thought the latter defended the monetary stability and market economy order to create economic welfare under a democratic regime³⁹. During his visit to Peru, Röpke gave a press conference at the *Country Club* and disserted on the monetary stability as requirement for the economic development and the social justice. He also stressed that the worst option is to support a social system that looks to increase collective welfare through the imposition of controls⁴⁰. In his first lecture at the Chamber of Commerce of Lima, he was introduced to the audience by Rómulo Ferrero and talked about economic systems. He criticized collectivism and praised the Peruvian government for the economic policy of anti-inflation and liberty it

was reading “Human Action” and referred that the later met von Mises at New York in 1949. Beltrán also told von Mises about the possibility of his resignation from the Board of Governors of the Central Bank, something that he did four days after von Mises gave his first conference at Lima. Other evidence about the close friend relationship between Beltrán and von Mises are the letters they exchanged by the time Beltrán was incarcerated by Odría’s government in March and April of 1956. Ludwig von Mises Archives, Box 4, Folder 10, Items 6-7. For more details about this episode see Portocarrero, Gonzalo (1983). *De Bustamante a Odría. El fracaso del Frente Democrático Nacional 1945-1950*. Lima: Mosca Azul editores. Likewise, the visit was backed up for members of the business class. During his time in Lima, von Mises received a temporary membership in the renowned Club Nacional de Lima, a space of encounter for the members of Lima elite. The person who requested the pass was the lawyer Manuel P. Olaechea du Bois former head of the Estudio Olaechea Abogados. See Ludwig von Mises Archives, Box 35, Folder 7, Item 1.

³⁸ In his letter of resignation to the Central Bank, Beltrán urged the Board of Governors to “respect as a principle of all the acts of the Central Bank of Peru the maintenance of the stability of the national currency.” (*La Prensa* April 8th, 1950). In a letter of April 13th, the new chair of the Bank, Clemente de Althaus, accepted Beltrán’s resignation and referred to him as the “most prominent defender of free exchange rate policy and lifting price controls.” (*La Prensa* April 14th, 1950).

³⁹ Slobodian (2014: 79) follows Hennecke (2005: 219) to refer that Wilhelm Röpke awareness of the labor of Beltrán: Röpke’s ideas were spread in Latin America 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 Beltrán.

⁴⁰ See *La Prensa* (March 30th, 1960). The article emphasized the questions of *La Prensa* journalists that will take part of the neoliberal movement of the 1980s as Enrique Chirinos Soto and Álvaro Belaunde. It also criticizes the journalists of *El Comercio* as supporting the policy of controls and protectionism.

implemented. After this, he gave a second conference at the Peruvian Central Bank⁴¹. Beltrán was also a close friend of William F. Buckley Jr., who remembered him as the politician who rescued Peru from the inflationary policies of Odría and Prado⁴². Milton Friedman also mentioned Beltrán was a strong supporter of liberty and private initiative at the beginning of his conference on inflation in Lima in November 1981⁴³.

As an organic intellectual, Beltrán never published a treatise nor a set of academic works on the economic ideas he defended. Yet, the Beltrán corpus appear scattered in reports, notices, speeches and columns. A first theme that Beltrán championed is the monetary stability and the maintenance of the currency purchasing power. These concerns relate to his exposition to British ideas instead of Austrian ones. Beltrán was not a German speaker and von Mises's famous book on monetary theory was not published in English until the 1930s and Lionel Robbins was not a faculty of the LSE until 1929. In this regard, his perspectives on the monetary issue remained similar as those of H. S. Foxwell's understanding of inflation, which is basically an application of the quantitative theory of money to the estimation of the price levels (Foxwell 1917)⁴⁴. Besides being a professor of LSE, Foxwell was a Cambridge economist associated to the British historical school of economic thought. In the late nineteenth and the early twentieth, this school criticized the deductive method of the classics and the neo-classicals in favor of an institutional view, replaced the discourse on the class struggle by focusing the concerns of the national economy, and confronted the doctrine of the "Manchesterism" from a conservative perspective (Green 1996: 149). The historical economists thought that laissez faire failed to comprehend the organic relationship between the State, the society, and interpret Socialism as the logical inheritor of this form of classical liberalism (Green 1996: 157-8). William Cunningham, W. J. Ashley, W.A.S. Hewins and L.L. Price were other representatives of this school.

In the *Annual Report 1927-1928* of the SNA, Beltrán introduced the idea of the stabilization of the foreign exchange rate as beneficial for the agricultural exporters and for the people. The economist directly refers to that variables as a main determinant of the performance of

⁴¹ See *La Prensa* (March 31st, 1960).

⁴² See Pedro Beltrán papers at The Beltrán-Kropp Foundation. In this obituary, Buckley mentioned Beltrán was a visiting professor on Economics and Foreign Affairs at the University of Virginia at Charlottesville (Fall 1971).

⁴³ The conference was part of the Symposium on *Dependence and Development* that the *Instituto Libertad y Democracia* (ILD) organized in November 1981. Friedman told the audience that he and Pedro Beltrán were neighbors when living in San Francisco, California. See Instituto Libertad y Democracia (1983: 23) and *La Prensa* newspaper (November 12th, 1981).

⁴⁴ In his speech of 1917, Foxwell relates inflation with the depreciation of the domestic currency with regards to the standard unit, the gold (Foxwell 1917: 268). Like Beltrán, most of the intellectual production of H. S. Foxwell was not academic. The paper and compilations the latter authored are based on speeches, conferences, and lectures.

agriculture industry and as a concern of the banks and the **general national public**. The latter is the main judge of the beneficial effects of economic stabilization. The defense of stability is based on the true value of the currency, which is directly connected to the maintenance of its purchase power. This was the time of the gold standard, so Beltrán tells that "(...) we can say that the world level of prices relies on the gold (...) If the foreign exchange rate is artificially modified in Peru, such a harmony will be destroyed" (Sociedad Nacional Agraria 1928: 59). As a traditional economist of the early 20th century, Beltrán's ideas mirrors class interests and conflates both the agriculture exporters concerns with those of the whole Peruvian capitalist class: "(...) the evidence of an alteration of the foreign exchange rate brings multiple injustices. The national agricultural interest is the same as the majority of the productive classes of the country and it is opposed to any modification of the current official foreign exchange rate, (...) this would bring deficits that may be solved only by reducing wages and by constraining the general expenditures (...)" (Sociedad Nacional Agraria 1928: 60-1). Beltrán's perspective on monetary policy relates to the fiscal austerity and the Central Bank independence. In an article he published in *La Prensa* (Nov 23rd, 1945) under the pseudonym of Mercator, he attacked the inflationary commitments of the bill project for the new organic law of the Central Bank. The argument focused on the similarities between the project and the Kemmerer law, which allowed the Central Bank to earn treasury bills to finance government expenditures. In this regard, the bill project represented a trigger for inflation and a risk for the monetary stability of the nation.

Other interesting ideas of Beltrán relate to his arguments about the fiscal austerity, industry policy and foreign trade. In an article of Oct 28th, 1920, he argues against a tax on sugar exports⁴⁵. In contrast to the common practice of custom duties in the USA and some European economies, Beltrán denounced the tax on exports as an economic policy for normal times. He denounced this taxation becomes the source for backing up the fiscal deficit of the irresponsible Peruvian government. Following a neoclassical argumentation, Beltrán consider such a measure as only possible when commodity prices are high, costs of production remain low, and the country has the monopoly of the commodity. It is also a sort of taxation that should target the foreign producers of the commodity, so the national exporter remained protected and can compete in the world market. Likewise, his critiques attacked the second government command to diminish the price of basic agriculture goods. In this regard, the government obliged the sugar producers to reduce its profits to offer the commodity in the domestic market with a low price.

⁴⁵ See the newspaper *El Comercio* (October 28th, 1920), Pedro Beltrán, "Intereses generales. ¿Cuál es el daño que hacen al país los azucareros?".

The losses of the agriculture sector became gains for the intermediate trader, who adds a mark-up to the price the final consumer faced.

After the 1940s, Beltrán's ideas focused on debating free trade and foreign aid issues. On November 14th, 1945, he was Peruvian Ambassador in the USA and gave a speech before the Pan American Society of Massachusetts and Northern New England on *Hemispheric Cooperation for World Peace*⁴⁶. He identifies US financial aid as a tool for neighborhood protection between the countries of the Americas, which is a survival matter instead of a mere business (Beltrán 1945: A5451). His concerns about free trade led him to emphasize the objective of integration to bring the people of the Americas together through the implementation of a beneficial tariff policy for all the countries and especially for the Latin American ones, which got affected for the increase in US duties after the late 1930s. Yet, he does not refer to any Inter-American preferential tariff arrangements, but to a reversal of the American tariffs and the equal tariff treatment for all the countries in the globe in the name of the *world peace* (Beltrán 1945: A5452). In his address titled *The American family of nations* (1958), Beltrán also treated foreign aid through similar lines. This instrument represents a tool for the protection of the Western Hemisphere and the arm for a community of interests. He had in mind to oppose this strategic alliance to the Communist threat following Christian principles (Beltrán 1958: 11). In underdeveloped countries, foreign aid covers growing population necessities and creates means of production. Thus, it provides capital that cannot be generated in the domestic market, and which ultimately benefits the government. The latter stops to have recourse to the Central Bank and evades the threat of inflation. Economic development and economic independence are the results of the utilization of this financial aid (Beltrán 1958: 8-9).

In contrast to Beltrán, Ferrero was educated in the national academic system. He obtained a bachelor's degree in Agricultural Engineering from National School of Agriculture and Veterinary (1929) and the Ph.D. in Economic Sciences from the PUCP (1940). A prolific scholar, the scientific production of Ferrero covered the period 1929-1973. Until the first half of the 1930s, his works focused on agricultural matters. After that, his production covers Peruvian macroeconomic problems and topics on economic development. His academic influence relates to relevant Peruvian high-ed institutions. He was a professor of Agriculture Economics, Monetary and Banking Economics, and Dean of economics faculty of the PUCP (1942-1948). In 1962, he founded the Universidad del Pacífico (UP), a private school specialized on business

⁴⁶ See Senator Warren R. Austin's intervention in the Senate of the US of December 12th, 1945.

management and economics. Later, he participated as Vice Chair (1962) and Chair (1967-1975) of the Board of Trustees of the UP⁴⁷. During the 1960s, Ferrero was a visiting scholar at St. Gallen University and the Graduate Institute of International and Development Studies (1963) and the LSE (1967).

As a technocrat, Ferrero had positions in both the public and private sectors. In the 1930s, he became a technical advisor of the Agrarian Bank of Peru, which was an institution covering the liquidity necessities of the agriculture sector after the Great Depression. Then, he was appointed as the Peruvian Minister of the Treasury (1945, 1948) and the Minister of Agriculture (1948). Ferrero was an advisor (1961-1965) and member of the Board of Governors (1968-1969) of the Peruvian Central Bank. In the 1960s, he became president of the developmentalist Institute for the Agrarian Reform and Colonization (1960-1961). In the private sector, Ferrero was an economic advisor in the Chamber of Commerce of Lima (CCL) (1948-1975), and the founder and chair of the CCL Economic Research Center (1949). He was also the CEO of the Lima Saving Banks (1962-1968) and member of the Board of Governors of the Peruvian Credit Bank (1969-1975). His experience in these institutions made it possible for him to participate as a member (1953-1965) and chair (1960) of the ILO International Agrarian Commission and to become a chair of the Economic Policy Committee of the Consejo Interamericano de Comercio y Producción (CICYP) (1966-1970).

Ferrero's encounter with Austrian economics and neoliberal intellectuals happened before the invitation to the MPS meeting. Ugarteche (2022) suggests that Ferrero got introduced to von Mises's ideas when reading the English version of *The Theory of Money and Credit* (1934 [1912]). In a letter of May 1950, Ferrero mentioned he attended the conference that von Mises gave at the Central Bank one month before⁴⁸. After that, he exchanged letters with von Mises and send him the works he published on monetary history and income taxation.⁴⁹ Ferrero also referred his preference for the works of Röpke and Hazlitt in correspondence to thank von Mises

⁴⁷ The foundation of the UP was a project of the Unión Nacional de Dirigentes y Empresarios Católicos [National Union of Catholic Managers and Businessmen] (UNDEC), which was created in 1961. Ferrero took part of the UNDEC with other personalities as the former President of the PUCP, Felipe McGregor S.J., and the businessmen Carlos Ferreyros, Juan Pardo Hereen, and Alberto Benavides de la Quintana (Universidad del Pacífico 1977). The relevance of the UP in the Peruvian politics started in the 1970s, when alumni took important positions in the Ministry of Finance, the National Institute of Planning, and other related public institutions. In 1979, the UP hosted a conference of Friedrich von Hayek. During the 1980s, faculty of the UP as Jorge Gonzalez-Izquierdo supported the market social economy program of the right-wing *Partido Popular Cristiano* (Schuldt 1980). In the 1990s, the UP gave important support to the structural reforms and austerity policies implemented during Fujimori's dictatorship (Abusada, Du Bois, Morón and Valderrama 2000). One of its faculty, Carlos Boloña Behr, became Minister of Finance and Prime Minister of Fujimori's regime and founded the *Instituto de Economía de Libre Mercado* (IELM) at the Universidad San Ignacio de Loyola in 1992. The IELM edited the main works of Pedro Beltrán and Rómulo Ferrero.

⁴⁸ See letter of Rómulo Ferrero to Ludwig von Mises (May 19th, 1950). Ludwig von Mises Archives, Box 35, Folder 7, Item 3.

⁴⁹ See letter of Rómulo Ferrero to Ludwig von Mises (Jan 5th, 1953). Ludwig von Mises Archives, Box 35, Folder 7, Item 4. Letter of Rómulo Ferrero to Ludwig von Mises (Dec 31st, 1954). Ludwig von Mises Archives, Box 35, Folder 7, Item 7.

for suggesting the editor of *The Freeman* magazine to offer Ferrero a one-year subscription.⁵⁰ As a result of these exchanges, the Sponsoring Committee of the Institute for Humane Studies invited Ferrero to participate in an edition to honor von Mises on the occasion of this 90th birthday. Hence, Ferrero wrote the article “La Integración Económica de América Latina” for the first volume of Friedrich Hayek’s *Toward Liberty. Essays in honor of Ludwig von Mises*.⁵¹

The professor Rómulo Ferrero Rebagliati was the first Peruvian member of the MPS⁵². On November 15, 1957, Ferrero got a letter from Chicago. Friedrich von Hayek, the president of the Society, invited Ferrero to join the MPS and to attend the meeting of the MPS celebrated at Princeton, N. J. in September 1958. Ferrero accepted to become a member and sent a letter to the European Secretary of the MPS, Albert Hunold, on January 16th, 1958⁵³. In that meeting, Ferrero intervened three times. On the noon session of September 10th, Ferrero discussed on inflation and monetary policy. He shared the table with Eugenio Gudin (Brazil), Leonard E. Read (USA), and Jacques Rueff (Paris). On the afternoon session of September 12th, Ferrero focuses on agricultural economics. He exchanged with panelists as S. H. Frankel (England), Jay Morrison (USA), F. Morley (USA), Louis Baudin (France), Harry D. Gideonese (USA) and Max Thurn (USA). On the morning session of September 13th, he reacted to the two papers submitted by P. T. Bauer (England) to the meeting: “Regulated Wages in Under-Developed Countries” and “The New Orthodoxy of Economic Development”. Here, Ferrero discussed the development of underdeveloped countries and complemented the interventions of John Davenport (USA), D. McCord Wright (Canada), Gustavo Velasco (Mexico), Nobutane Kiuchi (Japan), Frankel, von Mises, and Gudin⁵⁴.

The first and last interventions are the most important. On inflation and monetary policy⁵⁵, Ferrero explained that underdeveloped economies in Latin America faced the problem of (almost two digits) inflation as a constraint for development. Even though, public and UN institutions talked about its inevitability for economic growth. Thus, the only way to attack

⁵⁰ Letter of Rómulo Ferrero to Ludwig von Mises (Nov 26th, 1953). Ludwig von Mises Archives, Box 35, Folder 7, Item 6.

⁵¹ See correspondence between F. A. Harper and Rómulo Ferrero (January 30th, 1971; February 8th, 1971; April 29th, 1971; May 10th, 1971). Hoover Institution, Harper (F. A.) papers, Box 61, Folder 30, Ferrero, Romulo A. 1971-1972.

⁵² See letter MPS/S/1513. Friedrich A. von Hayek to Rómulo Ferrero Rebagliati. Hoover Institution, MPS records, 73-30, Ferrero, Rómulo A.

⁵³ See letter of Rómulo Ferrero Rebagliati to Friedrich A. von Hayek. Hoover Institution, MPS records, 73-30, Ferrero, Rómulo A.

⁵⁴ See *The Mont Pèlerin Quarterly* vol. I, Nº 1, April 1959; and Hoover Institution, MPS records, Sound Recordings 1956-1966, (<https://digitalcollections.hoover.org/objects/52829>)

⁵⁵ Ferrero’s ideas on inflation were discussed in several works, yet he previously studied the causes and consequences of inflation in his study *La inflación; sus causas y sus peligros* (1954) [The Inflation. Its Causes and Dangers] published by CICYP. As it is referred in the introduction of the work, the Executive Board of the CICYP commissioned Ferrero to prepare this study after its 33rd Meeting at Montevideo. The introduction also mentions the national complementary works prepared by selected experts for each country member. The person in charge of the technical study of inflation for Peru was the German economist Bruno Moll. In the study, Ferrero refers to three different definitions of inflation and made a special reference to Ludwig von Mises’s approach to the excess of the means of exchange. However, he prioritizes to understand inflation as a sustained and meaningful increase in prices.

inflation in underdeveloped economies is “**to preach and educate people about the evilness of inflation**”. In terms of Ferrero, inflation destroys development because of constraining investment (it reduces the rates of return and the market value of bonds) and starving the market of bonds. Also, rates for public utilities keep stagnated because of inflation, so the services deteriorated. Furthermore, there are inflation consequences that cannot be absorbed by the market as the predominance of controls and the people’s opinion about the necessity of those. Therefore, controls, including and especially the exchange controls, destroy a country capacity for economic development because it makes the exports to slow down. In this regard, he praised the Peruvian experience of lifting exchange controls and the implementation of the exchange certificate system, which was a proposal of Ferrero during his appointment as Minister of the Treasury in 1948. Similar ideas appeared in a publication of Ferrero in *The Freeman* magazine of February 1959 titled “Inflation in Underdeveloped Countries – a Luxury the People can Ill Afford”. Ferrero included a new element to the list of negative effects of inflation: the upset of labor market and the worsen of employer-employee relations. The latter led Ferrero to talk about the implementation of “welfare programs” in Peru during the fifties. Such an “experiment” added almost 50% of the basic wage value to the labor cost, so the basic wages got capped and workers do not get more than deferred “social benefits”. Hence, workers press for higher wages that employers cannot pay on top of the heavy tax burden the social legislation impose⁵⁶.

In his latter intervention at the MPS meeting, Ferrero sided with P. T. Bauer to criticize the report that the UN Economic Commission for Latin America (ECLAC) prepared on the industrial development of Peru (ECLAC 1959). The ideas Ferrero shared in this intervention represent his views on economic development, which stresses the relevance of increases in productivity, a developmental stage theory, and the deflation. For the Peruvian economist, the arguments of the ECLAC exemplified what Bauer called the “new orthodoxy of development”⁵⁷. Ferrero criticized some fallacies of this new orthodoxy as the idea that agriculture is implicitly inferior to manufacturing, which is not true if following the ideas of Jacob Viner, who suggested some poor agricultural economies face a scarcity of natural resources and backward techniques. Likewise, the ECLAC’s critique of the predominance of agriculture as incapable of absorb all the

⁵⁶ These ideas relate to other works of Ferrero on social benefits, wages and tax legislation. See: Ferrero and Altmeyer (1957) *Estudio económico de la legislación social peruana y sugerencias para su mejoramiento*; Ferrero (1960) *Estudio económico de la legislación social peruana para obreros*; Ferrero (1963) *Esquema y costo de los beneficios sociales en el Perú*; and Ferrero (1969) *La reforma tributaria*.

⁵⁷ According to Bauer (1958), this new orthodoxy suggests that actual state control of economic activity is indispensable for the economic development of poor countries and that foreign aid is indispensable for a reasonable economic advance of the underdeveloped world.

increasing population misunderstands advanced countries developed from an agriculture stage through balanced growth and the raising of agriculture productivity (Dennis Robertson's Agricultural Revolution).

He also neglected the contention about the plenty of disguised unemployment in underdeveloped countries because the reallocation of labor force from agriculture to other sectors will diminish the agricultural production as the work of T. Schultz demonstrated. The employment of "disguised unemployed" in manufacturing would increase the cost of production and the domestic prices of commodities in contrast to the imports. Ferrero would rather policies to increase agriculture productivity instead. In the same way, this increase in productivity could compensate negative effects of terms of trade in primary producing countries. The new orthodoxy also states that gains in agricultural productivity are profited only by industrial countries on account of the low elasticity of demand for agricultural countries. However, Ferrero talked about the possibility of reallocation of profits generated in the productivity boom in manufacturing abroad. Finally, ECLAC stated the economic development bound to produce a pressure on the balance of payments, but a most important pressure comes from internal inflation.

As a result of his participation of the MPS, he met Fritz Machlup, who actively exchanged letters with Ferrero since 1965. On May 25th, Machlup wrote Ferrero about his visit to Brazil because of the lectures the former gave at the Brazilian Economic Institute for invitation of Eugenio Gudín. Ferrero invited Machlup to visit Peru, yet the Austrian American economist cancelled his trip because of medical issues. That year the MPS had a general meeting at Stresa, but Rómulo Ferrero could not attend it because of his previous engagement to present his paper "Trade Problems on Primary Produced Countries" in the International Industrial Conference at San Francisco in September 1965.⁵⁸ The same month, Ferrero participated in a meeting on "Unexplored Issues on Balance of Payments" organized by another MPS member, Gottfried Haberler. The event was organized by the American Enterprise Institute and Ferrero discussed the paper of James E. Meade *Exchange-rate Flexibility* with Edward M. Bernstein, Milton Friedman, Charles P. Kindleberger, and Alex N. McLeod (Ferrero 1965)⁵⁹. On July 19th, 1967, Machlup wrote Ferrero and told him he will visit Lima after he participated in the IMF meetings at Rio de Janeiro⁶⁰. Machlup arrived at Lima on October 1st and gave a conference before the

⁵⁸ See the correspondence between Rómulo Ferrero and Fritz Machlup for May 31st, June 17th, June 22nd, July 4th, and July 14th (1965). Hoover Institution, Machlup (Fritz) papers, box 37, folder 7, Ferrero, Romulo A. (and Romulo Ferrero Butters) 1965-1976.

⁵⁹ A detailed description of the intervention appears in Ugarteche (2022).

⁶⁰ See letter of Fritz Machlup to Rómulo Ferrero (July 19th, 1967). Hoover Institution, Machlup (Fritz) papers, box 37, folder 7,

Chamber of Commerce of Lima by invitation of Rómulo Ferrero on October 4th.⁶¹ Ferrero suggested Machlup to give his lecture on “Monetary Stability and Economic Development”. Yet, the economist replied on the possibility of discussing the “the new agreements concerning the international monetary system” after he participated in the Río de Janeiro IMF meeting. The Chamber of Commerce published the Spanish version of the lecture⁶².

Beltrán and Ferrero became associates during the 1920s when Ferrero worked in Beltrán’s agriculture experimental station of Cañete⁶³. After these, they played important roles in two economic political moments of 20th century Peru. These events exemplify the implementation of neoliberal policies in Peru and the role of neoliberal publications played to frame public opinion in favor of those. First, the implementation of free market policies after Manuel Odría’s coup d’état on October 27th, 1948, which Peruvian politicians called the *Restorative Revolution*. Such an event had the intellectual support of Beltrán and Ferrero. Since the beginning of Bustamante y Rivero’s government in July 1945, Beltrán was doubtful about the positive economic performance of it. He criticized the lack of economic expertise from Bustamante’s advisors and the participation of the leftist populist party APRA in the government. Because of this, he suggested members of the Peruvian business elite to back up Bustamante but to have a close look to his policy decisions⁶⁴. In this way, they got the government briefly appointed Ferrero as the Minister of Treasury of the first cabinet (July – October 1945). Beltrán opposed the price and exchange controls that the government of Bustamante maintained after the resignation of Ferrero. Beltrán’s critiques to the government strengthened after 1947 because of inflation and public deficit increased in parallel since 1945. The policy of exchange controls could not solve the scarcity of foreign currency, so imports diminished and the basic consumption goods as well. The Peruvian government maintained the policy of controls and even submitted a proposal to create a system of multiple exchange rates to the IMF. It was designed by the former Minister of the Treasury Luis Echevarría and the IMF functionary Edward M. Bernstein, but members of the national business class as Beltrán, American investors as Douglas H. Allen and Ferrero

Ferrero, Romulo A. (and Romulo Ferrero Butters) 1965-1976.

⁶¹ See letter of Fritz Machlup to Rómulo Ferrero (July 28th, 1967). Hoover Institution, Machlup (Fritz) papers, box 37, folder 7, Ferrero, Romulo A. (and Romulo Ferrero Butters) 1965-1976. In this letter, Ferrero describes the Chamber of Commerce of Lima “has a high reputation for **objectivity** and is a staunch supporter of a **liberal economic policy**”.

⁶² See letters of Fritz Machlup to Rómulo Ferrero (August 8th, 1967; October 25th, 1967; November 8th, 1967) and letter of Rómulo Ferrero to Fritz Machlup (October 18th, 1967; November 21st, 1967). Hoover Institution, Machlup (Fritz) papers, box 37, folder 7, Ferrero, Romulo A. (and Romulo Ferrero Butters) 1965-1976.

⁶³ Beltrán created this station in in 1926 and located it in the land of his hacienda Montalván. Ugarteche (2022) hypothesizes that Beltrán introduced Ferrero to the economics literature.

⁶⁴ See letter of Pedro Beltrán to Augusto and Juan Gildemeister (June 25th, 1945). Pedro Beltrán papers at the Beltrán-Kropp Foundation. The National Alliance, the electoral coalition Beltrán founded, criticize the APRA as a totalitarian and terrorist political party (*La Prensa* April 16th, 1947).

opposed the measure and suggested the devaluation and liberalization of the exchange market⁶⁵.

Several articles of Beltrán's newspaper *La Prensa* attacked the exchange rate controls and denounced the emergence of black markets because of the scarcity of meat and other basic commodities. While this happened, the newspaper *El Comercio* sided with the importers to maintain exchange controls⁶⁶. Nevertheless, the main concern of the capitalist class was to recover profits through devaluation and make it possible the repatriation of profits of American investments. In that sense, the *Restorative Revolution* restituted the control of economic policy to the hands of the business elite and got rid of the influence of APRA in the government. The process started more than one month before the coup, when William L. Clayton brought Pedro Beltrán to discuss with IMF Executive Director Andrew N. Overby⁶⁷. Beltrán was looking for international supporting to the proposal of lifting the exchange controls. In that sense, Henry Hazlitt's articles published in the *Newsweek* described the previous situation to the coup and praised the positive features of exchange liberty. On December 13th, 1948, Hazlitt published "Exchange Controls vs. Peru". He mentioned Odría's Decree-Law 10905 of December 4th that implemented the system of foreign exchange certificates, which implied the Central Bank takes 45% of the foreign currency coming from the exports and give certificates to the exporters in exchange. Such certificates were used for the private sector to pay imports and repatriate profits. The Central Bank used the accumulated reserves to finance the government transactions issued in foreign exchange and to acquire basic goods. For Hazlitt, this decree was a "half-hearted compromise between the Bustamante decree [implementing exchange controls] and free exchanges." Even though, the measure fulfilled the aspirations of Beltrán, who was appointed as Chairman of the Peruvian Central Bank by Odría.

During his appointment in the Central Bank, Beltrán commitment was to lift the exchange controls and maintain the currency emission to normal levels (*La Prensa* March 22nd, 1949). In May 1949, *La Prensa* published notices written by the main trade associations in favor of the

⁶⁵ See letter of Douglas H. Allen to William L. Clayton (Sep 27th, 1948). Henry Hazlitt Archives Beta version. Correspondence. Peru Correspondence 1948-49.

⁶⁶ See the editorials of *La Prensa* during the period 1947-1948. The newspaper also prepared a special section publishing weekly surveys to households and interviews with "housewives" about the increase on the prices of meat and bread. An editorial of the *Time* magazine correctly called *La Prensa* and Beltrán's opposition to the exchange rate controls the *Battle of the Dollars*. See *Time*. Dec 6th, 1948, p. 14.

⁶⁷ See France Hazlitt letter to Henry Hazlitt (Sep 28th, 1948). Henry Hazlitt Archives Beta version. Correspondence. Peru Correspondence 1948-49. Andrew N. Overby was appointed Executive Director by the United States succeeding Harry D. White effective July 1, 1947 (IMF, Annual Report 1948). Overby will have become chairman of the foreign investment committee of the Investment Bankers Association of America in the 1960s. He was also a close friend of Henry and Frances Hazlitt. See letter of Douglas H. Allen to William L. Clayton (Sep 27th, 1948). See France Hazlitt letter to Henry Hazlitt (May 18th, 1947). Henry Hazlitt Archives Beta version. Correspondence. Frances Hazlitt 1947-.

suppression of price controls⁶⁸. Odría's government was reluctant to intend the measure, because of the lack of reserves to cover the side effects of the stabilization of the new parity⁶⁹. In July 1949, Beltrán intervened before the American government and the IMF to get the support of economic specialists, who prepared a plan to implement neoliberal policies. In this way, the Peruvian government hired a mission lead by Doctor Julius Klein. The work of the Klein Mission gained notoriety through the advertisement that *La Prensa* launched⁷⁰. The Mission produced a Report and sent it to the Minister of the Treasury on November 5th. The document was published in the main newspapers of the country on November 13th. The recommendations of the Report fulfilled the expectations of the business elite and Beltrán⁷¹. Therefore, Odría's government passed the Decree-Law 11208 (November 11th, 1949) that abolished the DL 10905, suppressed the intervened parity, the price controls, the basic subsidies and increased wages and salaries. On November 18th, Odría mentioned the new decree represented the "beginning of the great battle for the economic liberation of the country" and a new "economic and financial regime" (*La Prensa* November 18th, 1949). In several publications, *La Prensa* positively advertised the measures and published the reactions of the business elites (*La Prensa* November 16th-18th).

Likewise, MPS publications praised this event as an example of how free market economy and austerity policies create economic growth. The members of the MPS and the neoliberal audience got fascinated by the implementation of stabilization policies and fiscal consolidation in Peru after Odría's coup d'état. *The Freeman* magazine published an article of *La Prensa* columnist Oswaldo Buonanni, which was also translated in Spanish by the journal *Informaciones Comerciales* of the Department of Treasury and Commerce of Peru⁷². In *Economic Miracle in Peru* of April 21st, 1952, Buonanni advertised the economic recovery as the direct effect of the abolition of the system of exchange controls and emphasized the new free exchange system is the economic normality that lenders from the US should consider. In this regard, the free exchange rate ultimately benefits the consumer. Another article was published in *The Freeman* on January 25th, 1954. In *Peru's Economic Comeback*, Stanley High describes Peru as one of the world's best examples of the advantages of a free economy. He explained

⁶⁸ See the notices published in *La Prensa* May 5th; May 17th and May 20th, 1949.

⁶⁹ See letter of Beltrán to Hazlitt (July 24th, 1949). Henry Hazlitt Archives Beta version. Correspondence. Peru Correspondence 1948-49. Beltrán attached to the letter a report he prepared about the situation of the Peruvian economy for the IMF.

⁷⁰ See *La Prensa* (November 11th, 12th, 14th, 15th 1949) and the *Semanario Peruano* (November 14th, 1949).

⁷¹ See letter of Beltrán to Hazlitt (Nov 16th, 1949). Henry Hazlitt Archives Beta version. Correspondence. Peru Correspondence 1948-49. Beltrán emphasized that public opinion was in favor of the new decree and mentioned the rise resultant increase of consumer prices.

⁷² See *The Freeman*, vol. 2, num. 15, April 21st, 1952, pp. 467-8 and *Informaciones Comerciales*, 3, num. 29, pp. 2-3. Oswaldo Buonanni was an economist supporting monetary stability and austerity policies during the 1940s (see *La Prensa* July 19th, 26th and August 2nd, 17th 1947).

the implementations of the free market and free exchange rate policies during Manuel Odría's government.

The second event referred to the implementation of neoliberal development policies in Peru during the 1960s. It happened during the government of Manuel Prado Ugarteche (1956-1962), when Beltrán became head of the Commission for Agrarian Reform and Housing on August 10th, 1956. Rómulo Ferrero appears as a member of this Commission. The main objective of this was to “elaborate an integral plan for the diffusion of the small and medium scale property in the urban and rural areas, the solution of the housing problem, and to implement any other measure looking to elevate the living standards of Peruvian people.” (Comisión para la Reforma Agraria y la Vivienda 1960: 19). The first document produced by the Commission was the *Report of Housing* that was published in 1958. The Commission 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 in the form of microfinance (Mutual Savings and Loans Association). A prompt of the Commission's plan was that each Peruvian should become a homeowner or an owner that have its *casa propia* (Collier 1975, 1976).

The latter is an idea connected with the neoliberal critique on collectivism and a by-product of the Cold War environment⁷³. The program of Beltrán aimed to benefit the poor, so they would be tied to the economic system. It looked also to increase poor's respect for the private property and reduce their appeal to radical [communist] discourses (Collier 1976: 78). The self-help housing project was implemented with the technical advice of the Chicago banker Morton Bodfish. Such an experience suggests a model of development aid for the US to stop the communist advance into Latin America. Similar ideas appear in his address *The American Family of Nations* in which he claimed that the US government should finance development projects to stop the advance of communists in the Latin American neighborhood. Under the conditions of population in the region at the end of the 1950s, Beltrán suggests that the “poorer brothers” of the Americas represented an opportunity for the **private initiative** coming from the US (Beltrán 1958: 10).

One year after the publication of the *Report on Housing*, Beltrán left the Commission because of the president Prado appointed him as Minister of the Treasury and Primer Minister of Peru. Ferrero remained as a member of the Commission. In 1960, the Commission produced a bill

⁷³ On June 1958, Beltrán testified before the Subcommittee of Foreign Affairs of the House of Representatives of the US. See *Semanario Peruano* (June 15th, 1958).

draft for the Agrarian Reform and published a report on this policy. The introduction of the study says it was the first time the project of Agrarian Reform got designed in a non-ideological and non-partisan fashion (Comisión para la Reforma Agraria y la Vivienda 1960: 20). The report tells that Agrarian Reform implied to target the increase of agriculture productivity and the promotion of human well-being. In this way, the report quotes Pope Pius XII. The bill draft insisted on the process of land fragmentation by private initiative (Comisión para la Reforma Agraria y la Vivienda 1960: 60).

From the perspective of the capitalist class, the issues connected to the Agrarian Reform were treated in terms of the question of internal colonization (Ferrero 1939) and the lack of productive land to support a growing population in Peru (Ferrero 1938). In an article of December 1962, Ferrero referred to the latter as the first aspect of the Agrarian Reform question with the unequal distribution of land, and the faulty utilization of great part of the land under cultivation. In this article, Ferrero followed similar arguments as Baudin when stating that the Spaniards changed the Indian hierarchy and liberals did not recognize the Indian communities as a form of property after the independence (Ferrero 1962: 33). Ferrero's article finished by describing the longstanding work of the Commission after the coup d'état of July 1962. He praised the Commission achieved the study of colonization and collaboration with plans for land division through private means: the bill draft and the report of 1960 had encouraged landowners to carry out land division on their own initiative. Likewise, Ferrero emphasized the work of the Commission was to further cooperation between landowners and tenants to promote medium- and small-size holdings (Ferrero 1962: 36).

The mentioned designation of Beltrán had two objectives: the recovery of fiscal equilibrium and the diminishing of inflation. The macroeconomic recovery of Peru gave Beltrán a justification to claim additional financial aid for social policies in Peru. Such episode demonstrates the important role Beltrán had on issuing conservative developmentalist strategies in Latin America. In June 1960, 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). The later amount was credited in favor of the Peruvian private Mutual Savings and Loans Association⁷⁴. 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. The justification for the financial aid portrayed an ethical meaning.

⁷⁴ See Department of State, Memorandum for the President, July 26th, 1960. Dwight D. Eisenhower Papers as President of the United States, 1953-61 (Ann Whitman File), Box 40, Peru (1).

Eisenhower replied during the dialogue with Beltrán that "(...) man must be given an opportunity for both spiritual and material development."⁷⁵

Later, in 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 by issuing financial aid (Beltrán 1961a). In August, the American President J. F. Kennedy 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. In that context, the US decided to allocate more than US\$ 20 billion to financial aid for Latin America. During the sessions, Pedro Beltrán was elected as a representative of all the Latin American delegations. This decision was disputed by the Cuban representative, the minister Ernesto Guevara⁷⁶. Hence, Beltrán urged to summarize the Charter's main points in a Declaration of the Peoples of America. In this process, Beltrán got the exclusion of Cuba from the Declaration of Democratic Principles. At the end, the American government endorsed the Charter of Punta del Este with the exclusion of Cuba from the financial aid implemented by this agreement⁷⁷.

As in the first event, the public and MPS publications praised Pedro Beltrán's participation as Peruvian Prime Minister during 1959-1961. Time magazine called Beltrán as the *Poor Man's Conservative* (*Time* April 11th, 1960). One year after, the columnist François Bondy called Beltrán the "*Erhard*" of Peru (*La Prensa* April 3rd, 1961). In 1962, Albert Hunold edited a compilation about 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]. Reiser was a Swiss businessman that had been established in Peru since 1929 at the age of 20. His paper compiled by Hunold is based on the conference *L'Expérience péruvienne* that he gave in the Graduate Institute of International Studies of Geneva on October 7th, 1961. In the document, Reiser writes the next statement: "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

⁷⁵ See Department of State, Memorandum of Conversation, June 9th, 1960. Dwight D. Eisenhower Papers as President of the United States, 1953-61 (Ann Whitman File), Box 40, Peru (1).

⁷⁶ See the *Southern Illinoisan* (Aug 6th, 1961).

⁷⁷ See *New York Times* (Aug 15th, 1961)

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," [non-violent revolution] which has now covered all 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 1962: 211)

4. Conclusions

In this paper I show how neoliberalism as a discourse arrived at the South American Pacific. Through the study of the Peruvian country case, I traced a line of continuity between the concerns of European intellectuals in the beginning of the 1930s and their association to Peruvian technocrats of the same period. This continuity guarantees the reproduction of the discourse in the country case but does not mean that the neoliberal repertoire always remains the same. Thinking about it in terms of historical waves helps to grasp the evolutionary and dynamic nature of the discourse. Baudin, Beltrán and Ferrero are not taking part of the same debates, yet they connect each other through the concepts, actions, and interpretations appearing during their interventions. Furthermore, the interpretative strategy of "waves" allows to connect the discursive and institutional legacies between each other and the next waves of neoliberalism. As in the reality of the sea, the portion of water transported on a moving ridge remained integrated or merged to the next one. Nevertheless, the strategy does not understand neoliberalism as a teleology. As in the Nietzschean idea of history, the frame of waves does not follow any deterministic scheme to understand what the next wave of neoliberalism could be.

The critical gain of this study is double. First, it revisits the argument of *transfer of ideas* that states both neoliberalism and Cold War imperialism are identical. The "school-boys" narrative de-historicize the evolution of the discourse and flaws in chronological and institutional terms. That view is also narrower: it does not conceive the political economy impacts of the discourse and misleads the process of economic policy implementation. Most of the time, economists tend to think that executive nature of the institution of economic policy does not require social support, yet the study of neoliberalization processes demonstrate that it is necessary to create such a backing from in- and outside the government. That is the reason why neoliberals

understand that it is necessary to educate the society through framing public opinion. The economic policy is not stable without the construction of hegemony.

As a second outcome, it gives voice to the domestic actors that concentrated the political power and influences to incept the concept through their academic production and their public actions. For the Peruvian case, neoliberalism has a particular precedent, so it entailed the participation of businessmen, scholars, diplomats, and statemen. In other words, this alternative narrative understands better the role of domestic intellectuals in post-colonial societies without suffering of a colonial bias. Even for Latin American scholars, it is not easy to accept that relevant intellectual constructions can emerge from such traditional and quasi-modernized societies in the region at the 20th century. The historical reconstruction of neoliberalism in South America requires to understand it arrived at the region as an academic outlet and a political discourse. However, as a foreign specimen coming to a new environment, the discourse may require the readaptation through the symbiosis with a compatible hostage. The Peruvian neoliberals introduced their conservative economic ideas even before the neoliberal discourse appeared, so they produced a fertile soil for the arriving of neoliberalism and contribute to its evolution. This also exposes the transnational nature of the neoliberal discourse.

Finally, the study of the Peruvian case makes it clear that neoliberalism is not an economic theory but a political discourse with an economic object. The neoliberal discourse includes topics and concepts coming from the neoclassical, Austrian, monetarist, or institutionalist traditions. Besides, what characterize the repertoire of neoliberalism are normative commitments going beyond the analytical conceptualizations of both mainstream and heterodox economics. While the character of the concept resembles what social theorists understand as an imaginary, I would stick into the Foucauldian meaning of governmentality because the emergence of neoliberalism is not a bottom-up process. The Peruvian neoliberalism was not a byproduct of the social interaction of non-government actors but of the clash of government visions. That is the reason why its inception in the Peruvian society also coincides with the discussion of economic systems. Neoliberalism has remained as a doctrine of economic governance, whose main instruments were the legislation and the development and economic policies. This is the context in which the Peruvian neoliberal experience conflates with the authoritarian and reactionary politics to impose free-market institutions: price flexibilization, liberalization of the foreign exchange market, and the reduction of currency emissions.

In the second part of the paper, we follow these conclusions to study the neoliberal think-tanks and political movements in Peru after the 1960s. During the Cold War, the Castroist movements gained notoriety in the South American political debate and the process of urbanization in Peru increased the concerns on social welfare and housing policies. Hence, the developmentalist strategy of Beltrán and Ferrero gained support from NGOs Bailey (1965) identified. These first neoliberal NGOs are the Centro de Documentación Económico-Social, which was integrated by *La Prensa* journalists and members of the Opus Dei, and *Acción para el Desarrollo*, which included experts and columnists from the *Expreso* newspaper. A group of intellectuals integrating these organizations also participated in the foundation of the *Instituto Libertad y Democracia* in 1979. They joined Benjamín Roca de la Jara and Hernando de Soto in the adventure of founding the first neoliberal think-tank in Peru, an event that MPS members as Friedrich Hayek, Anthony Fisher, and Henry Hazlitt were aware of. The group of experts and politicians participating in the *Instituto* later supported the political movement *Libertad*, which was created by Mario Vargas Llosa and *La Prensa* pundits in 1988.

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