



## The origins of neoliberalism in Latin America: A special issue

MARIA EUGENIA ROMERO SOTELO\*

### Abstract:

*This introduction presents the main common themes that join the works collected in the present special issue. The articles describe the origins of neoliberalism in Latin America in the context of the specific historical developments in Argentina, Brazil, Chile, Peru, and Mexico. The five articles take a long period view emphasizing the main actors and their domestic and international networks during the XX century*

Universidad Nacional Autónoma de México  
email: maero05@hotmail.com

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Studying neoliberalism as an intellectual and social phenomenon in any country is a very complex undertaking. The current special issue of *PSL Quarterly Review* is devoted to the genesis and development of neoliberalism in a number of Latin American countries: Argentina, Brazil, Chile, Peru, and México. A group of academics embarked on this difficult task and here we summarise the main results of their analyses. The common perspective adopted in these works is a long period one. All authors try to understand the origins and development of neoliberal projects in these countries, and to present the main actors that had leading roles in spreading these ideas throughout the 20<sup>th</sup> century.

In general, we can recognize neoliberalism as an intellectual program that places individual freedoms at its core and that spans the economic, juridical, political, and social fields. Individuals and liberty are the main determinants of human behavior, and the market acts as a mechanism to allocate the available resources within society. Here, the state is assigned the

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role of ensuring that the market does not suffer from interference to its free functioning. Respect for private property against all forms of collectivism is a main pillar of this intellectual program.<sup>1</sup> Therefore, an assessment of neoliberalism, or any of its components, strongly depends on the political and social conditions in each country. From this point of view, the characteristics of the hegemonic classes and their relations with the rest of the world determine the specificities of the neoliberal program in the various countries. This is clear from the five works collected here.

The following articles explain how these ideas were diffused by various actors in Latin America, the political and social networks that they built, and the institutional frameworks that developed there. All contributors look for the origin of these ideas in the various countries and the international links between the main neoliberal thinkers, most notably Ludwig von Mises, Friedrich von Hayek, and Alexander Rüstow.

Even though economics is an important dimension of the neoliberal project, the contributors agree that neoliberalism in these countries is more than an economic program for the free market; It is a worldview. That is to say, we can consider neoliberalism as an intellectual program whose main ideas are shared by several disciplines, despite their disagreements, and whose common aim is to reestablish liberalism in all its dimensions. Neoliberalism is a political program too, with institutional rules, laws, and economic policy proposals that aim at fighting all sorts of collectivism in society. It characterizes human nature as unabashedly egoistic. From this point of view, as argued by Escalante (2017, p. 71), neoliberalism is an ideology too, and furthermore, it has been the most successful ideology of the second half of the 20<sup>th</sup> and beginning of the 21<sup>st</sup> centuries.

The decade of the 1970s was fundamental for the political acceptance of neoliberal policies in several countries: “The ‘70s are bitter years, of instability, unemployment, and economic crisis, years of strikes, violent protests and massive poverty, of terrorism, social exasperation, and tensions” (*ibid.*, p. 93). In this period the Keynesian consensus came to no longer be accepted. To this one has to add, according to Escalante, the affinity between the neoliberal movement and the demands of the younger generations in the 1960s. The latter accused the state of being authoritarian and built new individual identities that were apparently independent from the social demands of the previous generations, which allowed the neoliberal program, whose promoters were already working hard, to shine as an alternative.

Two neoliberal administrations were installed in the developed world in this period: those of Margaret Thatcher and Ronald Reagan. Despite their differences, they were both world powers in terms of production, energy sources, and trade. The former had inflation as its main preoccupation, the latter the reduction of taxes, public expenditures and public budget balance. Both projects represented a neoliberal offensive to build an international economic order, imposing their program on economically weaker countries through institutions such as the IMF and the World Bank. These institutions promoted adjustment plans that sought to limit the scope of the state while strengthening private enterprise and the financial sector. These were indeed conditions imposed on countries seeking to access funding for aid and development programs.

The neoliberal program was accepted within academia and the economic policy circles of the various states, but only after being promoted for years, with specific institutions set up to

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<sup>1</sup> For relevant analyses of the concept of ‘neoliberalism’, see “Postface defining neoliberalism” by Philip Mirowski (in Mirowski and Plehwe, 2009), and Judt (2011).

get to power. In other words, in these countries the fight against the welfare state had to be very long in order to succeed. The program emerged in the interwar period, characterized, as Eric Hobsbawm (1996, pp. 16-17) highlights, by strong economic and political turbulence, and an uncertainty that classic liberalism could not or did not manage to cope with.

In 1938, on the occasion of the French translation of *The Good Society* by Walter Lippmann, a journalist with links to the financial world, several important intellectuals met: Raymond Aron, Louis Rougier, and Jacques Rueff; the Austrians Ludwig von Mises and Friedrich von Hayek; the ordoliberals Wilhelm Röpke and Alexander Rüstow. Their main aim was discussing the scope of a renewal of Smithian liberalism, whose postulates did not offer a solution to current economic problems during the 1930s.<sup>2</sup> This is when the term ‘neoliberalism’ was coined upon Rüstow’s suggestion. World War II opened a break in the organizational process of this group of scholars. Meeting again at the end of the war, almost the same group met in Mont Pèlerin, Switzerland, from 1 to 10 April 1947. They reorganized the fight of the Keynesian economic policies that became dominant during the second postwar.<sup>3</sup> This long-term frame conjoins all contributions collected here.

In each Latin American country with its own peculiarities, the ideas of the international neoliberal movement and its political project were well received by a national social class that agreed or shared in the interests of the project. Evidently, corporate interests were on the frontline in receiving and spreading this economic and intellectual revolution.<sup>4</sup> The results have been widely studied: among the worst, the resulting social and economic inequality.

Juan Odisio and Marcelo Rougier (2019) in their work “Swimming against the (Developmentalist) mainstream: the liberal economists in Argentina between 1955 and 1976” describe the discourse of the first liberal intellectuals in Argentina. These “early liberals” have been so far neglected in the literature:

These economists constituted a relatively small group of intellectuals who were influenced by international postwar currents of thought and who effected the transition from the arguments of classic liberalism to the discussions of the welfare state and the Keynesian economy that prevailed in the middle of the last century. In this sense, these authors embarked on a project of translation that was two-fold: from the theoretical heritage of the 19th century to the contemporary debates over developing the economy, and from problems on an international level to the socio-economic dynamic of Argentina. Although they travelled down separate roads and met with different results, their rhetoric was motivated by the shared objective of changing the direction of a political economy that was rooted in a model of industrialization that they were highly critical of.

The authors highlight Federico Pinedo (1895-1971) and Álvaro Alsogaray (1913-2005) along with Alberto Benegas Lynch (1909-1999) for their very early entry in the neoliberal camp. They openly attacked the industrialist and interventionist positions that hegemonized economic doctrine in Argentina in the postwar. Odisio and Rougier note that even if in this period their positions were heterodox, they “nevertheless prepared the ground for the greater part of the arguments which justified the violent rejection of the state-led industrialization model from the second half of the 1970s on.”

Hernán Ramírez (2019) analyses the historical development of neoliberalism in Brazil. He shows the commonalities of the national experience with the others in the Southern cone of Latin America, as well as the local conditions that shaped national differences in the process. In sum, Ramírez carries out an analysis of the general characteristics of the introduction and

<sup>2</sup> For a thorough treatment of the Lippmann Colloquium, see Romo (2018).

<sup>3</sup> Mirowski and Plehwe (2009, p. 243); see also Romo (2018, pp. 23-40).

<sup>4</sup> For the Mexican case, see Romero Sotelo (2017).

development of neoliberal ideas in Brazil. The study shows the peculiarities of the Brazilian historical process with respect to Argentina and Chile, both with respect to the forms that neoliberalism embodied and the institutional environment in which it found fertile ground. Always in a dialogue with these other countries, the analysis focuses on key actors departing from the global context to zoom in on national characteristics.

Ramírez focuses on institutional analysis, the formation of various entities whose main function was spreading ideology. For example, the institutions linked Nelson and David Rockefeller such as the Latin American Information Committee (LAIC), the Committee for Economic Development (Cedec), or the Business Group for Latin America (BGLA). They defended ideas and laid the ground for political action in Latin America. Neoliberalism's penetration in Brazil went through stages: that of "diffused entry", where figures such as Roberto Campos played an important role; that of "institutional rooting"; and the neoliberal stage proper, which Brazil experienced at the end of the 1980s and beginning of the 1990s, at the same of several other countries. The foundation of local think tanks financed by international organisms is a main point of the article. For example, the Instituto de Pesquisas e Estudos Sociais (IPES) founded in 1961 with corporate support against president João Goulart, who was toppled with a military coup in 1964.

Guillermo Guajardo Soto (2019) presents the Chilean case in "Neoliberalism as a capitalist revolution in Chile: Antecedents and irreversibility". His main hypothesis is that the implementation of neoliberalism in Chile is a capitalist revolution. That is to say, it is part of the very capitalist development in the country, looking for solutions for its material reproduction. The essay studies the internal path of polarization of economic models parallel to the ideological polarization of the Cold War. Until 1973, there was a struggle between positions in favor of free markets and those in favor of state intervention in the economy; this struggle escalated with international links in both directions, which did not fit with a political and administrative system that only very slowly processed change. In the 1970s the fast and radical process of change went from the total questioning of private property to an authoritarian capitalist revolution.

The latter required a violent removal of obstacles to capitalism, which began with the military coup against the social government of Salvador Allende on September 11<sup>th</sup> 1973, with the ensuing violation of human rights, the installment of a curfew for five years, the suppression of the electoral register for an additional five years, and military intervention in universities, removal of dissident professors, and censorship of the critical scholarship. This civic and military regime was led by general Augusto Pinochet between 1973 and 1990. Concentration of power in Pinochet's hands allowed a decentralization of market activities to substitute for the previous model of industrialization, protectionism and social mobility practiced since the 1930s. It thus established probably the most consistently neoliberal model in the world.

In the paper "Pedro Beltrán, Rómulo Ferrero and the origins of neoliberalism in Peru: 1945-1962", Oscar Ugarteche (2019) reviews how neoliberal ideas in Peru were spread through the writings and actions of entrepreneurs Pedro Beltrán and Rómulo Ferrero. The former, a London School of Economics (LSE) graduate and cotton exporter landowner, bought a national newspaper to spread his ideas. According to Ugarteche:

The promotion in a nationwide medium of communication of the small state, the balanced public budget and export-led growth led by the market had two long-term social and educational effects. The population became convinced, first, that industrialization is useless and its encouragement is

an interference in the market and, second, that fiscal deficits always produce inflation and therefore are always negative. Since then, these two points are common sense in Peru; state assistance to society is considered to be an evil and not part of the development process.

The article highlights that these ideas entered the university system in Peru by way of the Catholic Church. A group of entrepreneurs in the 1950s first founded the technical education school SENATI, and in the 1960s the Universidad del Pacifico. The academic leader was Rómulo Ferrero, the only Latin American member of the Mont Pelerin Society since the beginning of the 1950s. Ugarteche concludes that Peru produced a strand of economic neoliberalism that is politically conservative and that does not exhibit respect for democracy (with respect to the coup in 1948, and then in 1992). In this respect, the Peruvian neoliberals moved earlier than others in the hemisphere, but share features with those of Chile and Colombia.

In his article “The establishment of neoliberalism in Mexico”, Juan Pablo Arroyo Ortiz (2019) analyses the economic policy enacted over the 35 years neoliberal rule in the country. The main beneficiaries of these policies appear to be the large corporations that benefited from the growth in international trade, especially with the USA, where their primary investments are located. The essay defines three stages that led to the regime change at the beginning of the 21<sup>st</sup> century, considering both political, social and economic transformation.

This process lasted more than three decades and it was linked to global changes. It was based on the idea that free markets are the best allocation mechanism in the economy. A main philosophical tenet in this stream of thought is the care for the individual and her freedom, that is why the firm is considered to be the essential atom of society that transforms the idea of government and state institutions. Forty years since the stage of modernization that originated with the strategy change of the IMF in 1976, we can confirm that market liberalization ideas are still dominant there, with notable social consequences. Negative trends in terms of employment, income distribution, and poverty created pressures on migration as well as on the growth of the share of population engaged in insecure activities.

In sum, the works collected here paint an overall picture of the research on the origin and introduction of neoliberalism in Latin America. It is interesting to note that the different cases analyzed all document how this was a long-term project. It had local promoters who wanted an economy with less public intervention, and acted for several decades before they could finally succeed. This is not always recognized in the literature.

The essays shed light on the relevance of some intellectuals and key players in this process, as well as on the influence of economic dynamics and changes in economic thinking at the global level. In the last few years, a discussion on Latin American “posneoliberalismo” emerged. The works collected here show the depth with which the neoliberal process took hold in these societies, thus highlighting how difficult will it be to break some of its networks. That is why it is very difficult to think that neoliberalism is now in retreat in the region. Free market and pro-private property discourses are still very present in the economic policy debate. The authors in this special issue of *PSL Quarterly Review* try to understand the origins of this approach, hopefully to help overcoming the dismal economic and social results it brought to the countries of the region.

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