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THE WAR FOR THE FREE MARKET. NEOLIBERALISM AND AUTHORITARIAN VIOLENCE IN GUATEMALA (1954–1983)*

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LA GUERRA POR EL MERCADO LIBRE. NEOLIBERALISMO Y VIOLENCIA AUTORITARIA EN GUATEMALA (1954-1983)

Abstract
The article aims to investigate the intellectual origins of neoliberalism in Guatemala and the relationship it maintained with authoritarianism between 1954 and 1983. Identifying Guatemala as a crucial yet neglected site for the dissemination of neoliberal theory in Latin America, the article examines the political thought of Manuel Ayau, who played a prominent role both in the Mont Pelerin Society and other international neoliberal think tanks, as well as in the original spread of neoliberalism in the country. Thus, the first part analyzes the battle of ideas fought by Ayau through the establishment of the Centro de Estudios Económico-Sociales and the Universidad Francisco Marroquín to counter developmentalist policies and the spread of communism. By discussing both the political relationships Ayau maintained with the regimes of Arana Osorio and Ríos Montt and his writings on dictatorship, guerrilla warfare, and human rights, the second part shows how, while critical of the economic policies adopted by the military regimes, he justified the violence they exerted as a necessary defense of property and market order.

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Keywords
neoliberalism; Guatemala; authoritarianism; violence; economic freedom

Resumen
El artículo investiga los orígenes intelectuales del neoliberalismo en Guatemala y la relación que mantuvo con el autoritarismo entre 1954 y 1983. Mediante la identificación de Guatemala como un lugar crucial para la difusión de la teoría neoliberal en América Latina, el artículo examina el pensamiento político de Manuel Ayau, que desempeñó un papel destacado tanto en la Sociedad Mont Pelerin y en otros centros de pensamiento neoliberales internacionales, así como en la difusión original del neoliberalismo en el país. En la primera parte, por lo tanto, se analiza la batalla de ideas que libró Ayau a través del establecimiento del Centro de Estudios Económico-Sociales y la Universidad Francisco Marroquín para contrarrestar las políticas económicas desarrollistas y la propagación del comunismo. Al estudiar tanto las relaciones políticas que Ayau mantuvo con los regímenes de Arana Osorio y Ríos Montt como sus escritos sobre dictadura, guerrilla y derechos humanos, la segunda parte muestra cómo, si bien fue crítico con las políticas económicas adoptadas por los regímenes militares, justificó la violencia que ejercían como una defensa necesaria de la propiedad y el orden del mercado.

Palabras clave
neoliberalismo; Guatemala; autoritarismo; violencia; libertad económica

In recent years, scholarship on neoliberalism has increasingly focused on its political core, investigating the political infrastructure of the market (Dardot & Laval, 2009; Brown, 2015; Biebricher, 2018). Engaging with this scholarly debate, an increasing number of works have identified an authoritarian core in the neoliberal conception of the state. Scholars such as Renato Cristi (1998), Wolfgang Streeck (2015), Werner Bonefeld (2017), Grégoire Chamayou (2018), and Michael Wilkinson (2021) have reintroduced the category of "authoritarian liberalism," coined by the German jurist Herman Heller in 1932 to critically define Carl Schmitt's notion of a "qualitatively total state," meaning a state that "draws a sharp line of separation vis-à-vis the economy, although ruling, on the other hand, with the strongest military means and the means of mass manipulation" (Heller, 1933/2015, p. 300). By identifying in the strong Schmittian state an attempt to limit interventionism in the economy and shield the government from popular claims, these scholars pointed to a continuity between Schmitt, German ordoliberalism, Friedrich von Hayek, and the Treaty of Rome creating the European Economic Community. Contrary to this interpretation, Serge Audier (2022), and Pierre Dardot (2022) questioned the direct connection between Schmitt and neoliberal thinkers, showing the different theoretical roots and goals of their theories. Yet, while distinguishing the Schmittian and the Hayekian conception of law (substantive and particular in the former, universal and abstract in the latter), Dardot still attributed to neoliberalism a "constitutionally authoritarian dimension" stemming from the constitutionalization of private law and the consequent restriction of the democratic decision-making process.

Without directly engaging with Heller's essay, other studies have analyzed the relationship between neoliberalism, conceived both as a doctrine and as an economic policy, with authoritarian measures (Biebricher, 2020; Bruff, 2014), showing how the latter have been used, in some political and geographical contexts, to insulate the market from social and political dissent. However, except for the works on the Chicago Boys' experience in Pinochet's Chile (Dardot et al., 2021; Edwards, 2023; Whyte, 2019), this scholarly debate has long remained anchored to Europe and the United States, neglecting a crucial part of the global history of neoliberalism. Only a few scholars have shown that in the same period in Argentina, Brazil, Uruguay, Peru, and Guatemala, military regimes were also fundamental tools for the introduction of the market economy (Heredia, 2004; Klein, 2007; Ramirez, 2014; Silva, 2006). Indeed, although the link between neoliberalism and dictatorship took different shapes in each of these countries and had a different adherence to doctrinaire orthodoxy, it still posed a common question concerning the relationship between the market and the legal and political institutions built to allow its functioning.

Drawing on this literature, this article aims to contribute to this debate by analyzing the specific case of Guatemala. An important theater of the Cold War and the site of the first CIA-backed coup in Latin America to fight against the communist threat, Guatemala was governed primarily by military regimes throughout the 20th century, engaged, from 1960 to 1996, in a civil war against guerrilla organizations, resulting in the killing of hundreds of thousands of militants and sympathizers. It was in this context that neoliberal ideas began to circulate in the late 1950s as an intellectual weapon against the advance of communism in the region, first threatened by the Cuban (1959) and then by the Nicaraguan revolutions (1978).

In particular, Manuel Ayau, an accomplished entrepreneur, took on the reception, adaptation, and dissemination of neoliberal thought in the country, especially in the case of Friedrich von Hayek and Ludwig von Mises. Although not as well-known as other neoliberal figures, Manuel Ayau was president and then vice-president of the Mont Pelerin Society—the first and most important neoliberal international network—between 1978 and 1981, hosting one of its meetings in Guatemala City in 1972. He was also well integrated into other important neoliberal international think tanks, serving on the board of directors of the Liberty Fund and as a trustee of the Foundation for Economic Education. Ayau embraced neoliberalism as a weapon to fight for a "free society" in Guatemala, both within the intellectual world and in the political arena.

Analyzing the political and economic thought of Ayau, this article aims to expand on the seminal work of Quentin Delpech (2010) and Karin Fischer (2022) on the origins of neoliberalism in Guatemala and its relationship with dictatorships through the examination of unpublished archival material—the journal *Tópicos de Actualidad*, the pamphlets from the Universidad Francisco Marroquín, the Foundation for Economic Education journal *The Freeman*, and the Friedrich Hayek and Henry Hazlitt's Papers—which allows studying this theme not only from the perspective of institutional history, as has already been done, but from that of the history of political thought. Indeed, on the one hand, the article seeks to show how neoliberal ideas circulated in Guatemala, being adapted by Ayau to a country at the time defined as "underdeveloped," with a solid state and bureaucratic apparatus mostly managed by the military, with an economy regulated by developmentalist plans, and undergoing a bloody civil war. Neoliberalism will be understood here as an intellectual and political project outlined in the post-war period and aimed at embedding market mechanisms into institutional and constitutional infrastructures in order to shield them from the challenges posed, at a global level, by statist dirigisme, economic planning, and mass democracy (Slobodian, 2018). For this reason, the period analyzed spans from the 1950s to the 1980s, that is, the phase in

which neoliberalism was still a project circulating at the transnational level, used to fight ideological battles, without yet being the dominant economic policy, something that in Guatemala will not occur before the late 1990s (Robinson, 2000).

On the other hand, and most crucially, the article aims to investigate how, in this process of translation and adaptation of neoliberal thought, Ayau conceived the relationship between the market economy, authoritarianism, and institutional violence. Therefore, analyzing both the relationship that Ayau had with the regimes of Carlos Arana Osorio (1970–1974) and Efraín Ríos Montt (1982–1983), as well as Ayau's conception of dictatorship and violence in relation to the market order, the article seeks to examine the controversial role that authoritarian violence played in the battle waged to affirm neoliberalism in Guatemala.

The Early Dissemination of Neoliberal Ideas in Guatemala and the Anti-socialist Foundation of the CEES

Manuel Ayau came from a Guatemalan family active in the oil industry and with economic interests in the electricity, banking, financial, and agricultural sectors. The despotic character he exhibited since he was a child and the Mussolini costume gifted to him by a family friend earned him the nickname "Muso," by which he was known to his friends and colleagues throughout his entire career. At the behest of his father, he pursued his studies in California, Canada, and Louisiana, returning to Guatemala in the early 1950s, in the midst of what has been termed the "revolutionary decade." Indeed, after the overthrow of the U.S.-supported dictator Ubico in 1944, Juan José Arévalo was elected president and promoted a new political constitution aimed at democratizing the country. His successor, Jacobo Arbenz, focused instead his reforms on social programs and redistribution of land through the expropriation of unused portions of landholdings from 1951. The agrarian reform posed a threat to the interests of the U.S. United Fruit Company, which at the time had large investments in banana plantations, owned the only railroad, the only public telegraph system, Puerto Barrios (the only Atlantic Ocean port), and 460,000 acres of arable land in the country. Moreover, Arbenz increased cooperation with the labor unions and, most crucially, legalized the Communist Party allowing it to operate freely throughout the country. The concern about the spread of communism over Latin America led the CIA to orchestrate a coup d'état on June 27, 1954.

Under the leadership of General Castillo Armas, all the reforms of Arévalo and Arbenz were eliminated, and many of the communist leaders, including Ernesto Guevara, had to flee. Then, a new political and economic model was installed, which included "an economy dependent on imports from the United States, a government tightly controlled

by the military, a security apparatus inspired by U.S. counterinsurgency specialists, and over this, the rhetoric, but emphatically not the practice, of democracy" (Fried et al., 1983, p. 83).

Although the coup put an end to the economic and social reforms of the "revolutionary decade," the theoretical tools to rethink the economy and society remained forged, according to Ayau (1992), "exclusively from a socialist perspective" (p. 9). In the "world of ideas," as stated by Ayau (1992), "the socialist avalanche was overwhelming" and "threatened to crush all opportunity for peaceful progress, and to destroy individual freedom and individual rights" (p. 10). The responsibility was due, in his opinion, to the politicization of the country's most important university, the Universidad de San Carlos de Guatemala, which constituted the main critical voice against government abuses and U.S. interventionism. To counter the Marxist orientation of the existing higher-educational institutions, Ayau decided to found, together with six other businessmen—Ernesto Rodríguez Briones, Antonio Aycinena, Imrich Fischmann, Enrique Matheu, Enrique García Salas, and Alejandro Arenales Catalán—the Centro de Estudios Económico-Sociales (CEES) in 1958. The aim of the CEES was "to study and disseminate the ethical, economic and legal principles of the free society" in order to encourage "enough individuals of influence" (Ayau, 1992, p. 10) to defend them against Keynesianism, developmentalism, and import substitution through protective tariffs, prevailing in Latin America at that time.

However, the CEES was not Central America's first neoliberal think tank. Indeed, as early as 1942, the Mexican businessman Luis Montes de Oca invited Ludwig von Mises to give a series of lectures in Mexico City and Friedrich von Hayek in 1946. In the following years, liberal institutions such as Asociación Mexicana de Cultura (1946), Instituto Tecnológico de México (1946), and Instituto de Investigaciones Sociales y Económicas (1956) were founded to disseminate the principles of the free market (Romero Sotelo, 2016). It was precisely a member of Instituto de Investigaciones Sociales y Económicas, Agustín Navarro, who introduced the CEES into international neoliberal networks. Indeed, in 1959, he gave to Ernesto Rodríguez Briones, a fellow of Ayau who was visiting Mexico, a pamphlet published by the U.S. Foundation for Economic Education (FEE) and written by von Mises, associating labor inflexibility and lack of progress. After reading von Mises' pamphlet, Ayau and Rodríguez contacted the FEE, attended a seminar, and built connections with other free-market institutions. These experiences provided Ayau and Rodríguez with new analytical tools to address the issues of "poverty, development, and progress" that they questioned during those years without finding convincing answers in the dominant developmentalist model.

Thus, Ayau and his colleagues began to read the works of von Mises and Hayek and to study the classics of liberal thought. In order to circulate these ideas, the CEES published a bi-monthly pamphlet, called *Tópicos de Actualidad*, which included articles by local intellectuals as well as translations of articles published in the FEE journal, *The Freeman*, in accordance with the model adopted by Centro de Difusión de la Economía Libre and its journal *Ideas sobre la Libertad*, founded in Argentina by Alberto Benegas Lynch in 1958 (Ciolli, 2023). Additionally, the CEES produced a daily radio program, television programs and a weekly column in the newspaper *El Imparcial*. After Ayau and other CEES members (Ulysses R. Dent, Hilary Arathoon, Félix Montes, Fernando Linares Roberto Ríos) joined the Mont Pelerin Society in 1964, the CEES, like its counterparts in Mexico and Argentina, also began inviting several members of the Mont Pelerin Society to defend the "philosophy of freedom" in Guatemala, including Ludwig von Mises (1964), Henry Hazlitt (1964), Dean Russell (1964), Hans Sennholz (1964), Friedrich Hayek (1965), Leonard Read (1965), Benjamin Rogge (1965), Álvaro Alsogaray (1967), Ludwig Erhard (1968), Milton Friedman, (1978) Gottfried Haberler, Arthur Shenfield, and Augustín Navarro. These invitations were often used as an opportunity to spread neoliberal ideas in the neighboring countries as well, and therefore, when possible, were coupled with trips to Costa Rica, where the Asociación Nacional de Fomento Económico often organized the lectures, and El Salvador, where the Instituto Salvadoreño de Estudios Sociales y Económicos took charge of them.

Overall, then, in a region haunted by the Cuban Revolution in the early 1960s, neoliberal ideas began to circulate through institutions aimed at showcasing an economic and political alternative to communism. In Guatemala, in particular, where the 1954 coup laid the groundwork for anti-communist alliances, Ayau and his colleagues aimed to present the neoliberal project as a viable path that could thwart both wealth redistribution and the closure of the global market by developmentalist and protectionist policies.

The Legitimization of the Market Economy

Throughout the 1960s and 1970s, Ayau's primary tool for taking part in the public economic and political debate was *Tópicos de Actualidad*. During this period, his articles focused on the causes of Guatemala's underdevelopment, addressed both by criticizing the government's interventionist measures and defending the benefits of the capitalist order.

In 1959, when the pamphlet began to be published, the government was led by Miguel Ydígoras Fuentes, a military officer and politician who, on the one hand, endeavored to hinder the spread of communism in the region by suspending relations with Cuba and allowing the CIA to train the Cuban exiled that would be used in the failed

1961 Bay of Pigs invasion. On the other hand, he promoted strong state intervention in the economy. Indeed, Ayau's first article criticized the law enacted by Ydígoras, which guaranteed compensation to unjustly dismissed workers, considering it a cause of the country's productivity decline (Ayau, 1959). Another obstacle to productivity, according to Ayau, was Ydígoras' law on income tax. Progressive taxation, in his view, penalized skill, success, and competition, thus discriminating against the most productive workers. Therefore, rather than in state intervention, the solution to existing inequalities had to be sought through the modernization of the production system and investment in new machinery, which would allow for an increase in productivity, profit, and prosperity, attracting foreign capital (Ayau, 1960a; Ayau & Montenegro, 1982).

In 1960, Guatemala joined the Central American Common Market, established by the General Treaty of Integration to create a space for free trade and intra-regional investments, promote and coordinating industrial development, cooperating in monetary and financial matters, and developing integrated infrastructure. The theoretical framework of the project was provided by the hypotheses of Raúl Prebisch, director of the UN Economic Commission for Latin America, according to whom the classical pattern of trade allowed for an unequal exchange between developing and developed countries. The appropriate policy response by peripheral countries seeking to end dependency on trade with and investments from the industrial North was, in his view, domestic industrial promotion and import substitution with limited trade protection (Bollard, 2023, pp. 227–262). In December 1961, Ayau wrote an article to illustrate the criticisms of what he termed the "command economy" and "dirigisme" promoted by the Central American Common Market. According to Ayau, tax exemptions reserved for certain companies undermined competition, destroyed free enterprise, and produced monopolies that succeeded not because of their efficiency but due to the artificial intervention of tariff barriers (Ayau, 1961). For Central America to develop a true common market, Ayau believed it was necessary to remove tariff policies and to re-establish a trading space where competition allowed each country to exploit different resources and develop more efficient goods (Ayau, 1965).

Ayau's criticisms of workers' compensation, progressive taxation, and supranational legislation of the Central American Common Market partially echoed the reflections of European and U.S. neoliberals that appeared on *The Freeman* during the same years. In July 1960, Leonard Read attributed progressive taxation to a "collectivist mentality" and indicated individual freedom and moral rights as the limit that state intervention should not exceed. Hans Sennholz, in January 1960, criticized the formation of the European Economic Community with arguments similar to those later used by Ayau for the Central American Common Market. However, while these insights shared a common political and

economic project, Ayau's articles were far from merely reiterating arguments formulated elsewhere and targeted instead specific local phenomena.

The theoretical framework underlying Ayau's attacks on the economic policies of the Guatemalan government was specified in a second type of contribution to *Tópicos de Actualidad*, aimed at defending the benefits brought by the capitalist system in opposition to claims of wealth redistribution and social justice that had found expression in Arbenz's government. Despite the 1954 coup and the political repression that followed, Ayau acknowledged that according to the "prevailing belief," which he considered "deplorable and unfounded," capital could "profit only by sacrificing workers and, conversely, workers could prosper only at the expense of the employers" (Ayau, 1960b). On the contrary, explained Ayau, capital corresponded to the savings of those who produced goods or services and received remuneration that exceeded their consumption needs. Social conflict, in his view, arose from the disparity in the savings that each individual possessed, seeking a solution in wealth redistribution by the state. However, Ayau continued, without private property and the freedom to enjoy the fruits of one's labor—pillars on which the capitalist system rested—it was impossible to produce wealth for redistribution. The free market, moreover, allowed the entrepreneurs to profit only to the extent that they satisfied consumers, who ultimately decided "what to produce, which sources prevail, and who will be rewarded daily." The market thus triggered, in Ayau's view, a democratic process that did not necessarily produce conflict between capital and labor. If anything, capital was "a necessary tool for progress": attacking capital thus meant attacking progress and the wealth of all (Ayau, 1960b).

Ayau's article echoed some of the arguments used a few years earlier by Hayek (1954) in *Capitalism and the Historians* and by von Mises (1956) in *The Anti-Capitalistic Mentality.* Hayek (1954), in fact, justified the connection of capitalism with "the rise of the propertyless proletariat" (p. 15) by arguing that "the proletariat which capitalism can be said to have created" was "an additional population which was enabled to grow up by the new opportunities for employment which capitalism provided" (p. 16). Accordingly, von Mises (1956) contended that far from impoverishing people, "capitalism" not only "deproletarianizes the common man and elevates him to the rank of a bourgeois," but it also allows for a "daily plebiscite" in which sovereign consumers determine "who should own and run the plants, shops, and farms" (pp. 1–2). If these essays had nourished Ayau's defense of capitalism in the Guatemalan context, where a deep divide separated the few rich from the many poor, the lectures von Mises and Hayek gave in Guatemala City in 1964 and 1965 fueled Ayau's articles published in those years, showing the political and economic advantages of a

system based on private property, individual freedom, and free trade, and indicating the limits of collectivist theories (Ayau, 1964a, 1964b).

In the early years after the foundation of the CEES and its journal, Ayau thus dedicated himself to spreading neoliberal theory by engaging with the works of its main authors and adapting them to a context alien to the one for which neoliberal ideas were initially conceived. As Ayau (1992) himself acknowledged, his "resolute opposition to income tax, minimum wage, protective tariffs, the exchange controls" earned him and the CEES a "reputation for being exceedingly radical even for those on the right, not only in Guatemala but in the world in general" (p. 11). However, his "extremism" became even more clear in the following years when the outbreak of the civil war and the political radicalization of Guatemalan society pushed him to take a stronger stance against socialism and communism both academically and politically.

From Academia to Politics: The Market Order and Its Violent Defense

In the early 1960s, the political conflict in Guatemala intensified. In 1963 the Fuerzas Armadas Rebeldes (FAR) were established, becoming the first guerrilla organization in Guatemala and marking the beginning of a civil war. Many students who had fueled the protests in Guatemala City in 1962, later joining the FAR, came from the Universidad de San Carlos de Guatemala. Concerned about the radicalization of this public university and the dominance of socialism in academia, Ayau wrote two articles in 1964 and then in 1966, attacking the shortcomings of socialist economic theory. He considered it incapable of indicating how to concretely build an alternative to capitalism, instead remaining anchored to the price system of the capitalist market (Ayau, 1964c). However, the most worrying problem was, in his opinion, the teaching of this doctrine as a practicable alternative. It was precisely the urgency to counter socialism taught at the Universidad San Carlos that prompted him to found, in 1972, a private university where students could learn the principles of the free market: the Universidad Francisco Marroquín (UFM). The university program aimed to demystify "the ideology of underdevelopment" (Ayau, 1978), namely the belief that capitalism relied on the exploitation of workers, that foreign capital plundered the country, and that wealth redistribution could solve the problem of poverty. In his perspective, the science of political economy was meant to teach which conduct could lead to success by showing the detrimental effects of tariffs, fixed prices, and progressive taxes on the development of a country (Ayau, 1968a).

As Ayau recounts in his memoirs: "If the Mont Pelerin Society hadn't existed, it is probable that we would have discarded the idea of founding a university" (Ayau, 1992, p. 13). Indeed, not only was the architecture of UFM an homage to the members of

the Mont Pelerin Society—within the campus, there was a Mont Pelerin Avenue, the Ludwig von Mises Library, the Friedrich Hayek and Milton Friedman Lecture Hall, the Rose Friedman Terrace, and the Leonard Read Auditorium (Fischer, 2022, p. 254)—but all students, regardless of their faculty, had to complete core courses (Dyble, 2008, p. 82) in market economics and on Hayek's *The Constitution of Liberty* (1960/2011) and von Mises' *Human Action* (1963/2014) and *Liberalism* (1927/2018). In the following years, many members of the Mont Pelerin Society were also awarded honorary doctoral degrees from UFM: Read (1976), Hazlitt (1976), Hayek (1977), Friedman (1978), Sennholz (1988), Buchanan (2001), but also Latin American members such as Alberto Benegas Lynch father (1979) and son (1996), Agustín Navarro (1981), Pedro Ibáñez (1982), and Roberto de Oliveira Campos (1996).

Even though Ayau lamented the reputation of "extremists and radicals" attributed to members of the CEES and UFM, in the early 1970s, he actually began to "radicalize" his own ideological battle. While in his inaugural address at the opening of the UFM, Ayau limited himself to enunciating liberal principles as guidelines for this new institution, the UFM Philosophy Statement framed the university's mission more clearly within a battle of ideas in the context of civil war. The statement asserted that the ongoing "crisis of human reason" revealed itself through "political violence" and in the rejection "of some of the fundamental values of Western civilization, such as peace, the infinite value of the person, freedom, and the respect for property." It was, therefore, the task of the UFM to prevent the "combativeness and enthusiasm" of the young students from combining with "ignorance" (Ayau, 1992, p. 61) by countering the idea of the university as a catalyst for political organization, forbidding participation in political parties and strikes and verifying the adherence of the courses to the University's philosophy and its policies. As Ayau stated in an interview, he did not believe in the "democratization of education," and therefore, the UFM was aimed at training only the "intellectual elite," which was expected to ensure outstanding performances (Ayau, 2001).

The members of the Mont Pelerin Society were very enthusiastic about the UFM, regarding it as "a unique case in the world." Indeed, while Friedman considered Ayau's results "little short of spectacular" and UFM as "one of the leading universities in Central America" (Friedman & Friedman, 1998), Margit von Mises, Ludwig's wife, underlined the "zeal and patience" with which Ayau pursued "his life's task to teach his country the economics of a free society" (von Mises, 1976). The project of the UFM was accompanied, in 1977, by the creation of a Central American society, the Mont Izarù Society, modeled on the Mont Pelerin Society, composed of intellectuals, businessmen, and entrepreneurs who shared the goal of spreading the

principles of the market economy through lectures, journals, and annual meetings. Accordingly, in order to strengthen networks and institutions that were pro-free market and anti-communist in a region marked by social conflicts, Ayau assisted Alberto Benegas Lynch Jr. in the creation of the Escuela Superior de Economía y Administración in 1978 in Argentina, and a few years later, in Peru, he supported Hernando de Soto in the founding of the Instituto Libertad y Democracia in 1981 (Mirowski & Plehwe, 2009, p. 397).

In those years, the ideological battle that Ayau fought in academic and intellectual circles went hand in hand with a direct engagement on the political front. Indeed, he joined the Movimiento de Liberación Nacional (MLN), an anti-communist party founded in the 1960s, known as the "party of organized violence" and led by Mario Sandoval Alarcón, a member of the group that collaborated with Castillo Armas in the 1954 *coup d'état*. During the Civil War, the MLN was also associated with death squads. In 1970, Ayau served as a Deputy in the Guatemalan Congress and as an advisor in political affairs under the government of Carlos Arana Osorio (1970–1974), a military and member of the MLN, selected as a candidate due to his successful repression of guerrillas in the eastern region of Guatemala in the 1960s, which involved torture, disappearances, and killings of student leaders, suspected guerrilla sympathizers, and trade unionists. Arana was also closely tied to leading economic groups and appointed representatives of industrial interests to the Ministry of Economy and the Ministry of Finance. As he said: "in these times, private initiative is very much threatened and the only thing that can save it is the army" (Fried et al., 1983, pp. 113–114). Indeed, while in Arana's cabinet there were two of the UFM trustees, the presidential decree approving the establishment of the UFM was signed by Arana himself, who, in Ayau's *Memoirs* is depicted celebrating the UFM inauguration in a cocktail party organized at Ayau's home.

Despite Ayau's close association, the economic interests of the military government under Arana pursued strategies divergent from those of the free market economy. Indeed, just a month and a half after his government was installed, the Council of Ministers approved the National Development Plan (1971–1975), which included the creation of various programs aimed at boosting and expanding the national economy with state support, as well as the nationalization of a series of public institutions. As a parliamentarian, Ayau advocated for the privatization of state-owned enterprises (Ayau, 1973), and, specifically, he opposed, without succeeding, the nationalization of the electric energy sector (Ayau, 1974).

Having joined a party and a government that was trying to eradicate insurgency through kidnappings, disappearances, and massacres, Ayau, from the late 1960s to the

1980s, repeatedly intervened on *Tópicos de Actualidad* to redefine the concepts of "dictatorship," "violence," and "human rights." Already in 1968, in an article titled "How to Recognize a Dictator," Ayau had identified it with the "planner," that is, someone who implemented a "command economy" (Ayau, 1968a). This interpretation echoed arguments formulated in 1944 by Hayek and Mises. In *The Road to Serfdom*, Hayek stated that, while dictatorship does not "inevitably extirpate freedom," planning instead "leads to dictatorship because dictatorship is the most effective instrument of coercion and the enforcement of ideals, and as such essential if central planning on a large scale is to be possible" (Hayek, 1944/2006, p. 74). Accordingly, in *Omnipotent Government*, von Mises (1944/1969) asserted that "every step which leads from capitalism toward planning is necessarily a step nearer to absolutism and dictatorship" (p. 53). From this perspective, according to Ayau (1968b), price, exchange, credit, and interest rate controls were indicators of an alleged "omniscience" regarding human interactions and a consequent attempt to coercively direct them. Therefore, while acknowledging that "in a free society, the only instrument of the leader is peaceful persuasion," Ayau's target was not political coercion but rather economic coercion.

Through a similar shift, in an article from 1977, Ayau redefined "violence" as the coercion exerted by state intervention in the economy. Considering wealth redistribution as a form of "legalization of violence," Ayau disqualified the justification of political violence by the guerrillas as a result and response to existing inequalities in the country because the redistributive solution proposed, by violating private property, kept reproducing violence. Therefore, while the "private violence" of socialist origin was illegitimate, the one exercised by the Guatemalan military regime simply adhered to the modern principle whereby states have the legitimate monopoly of violence. Thus, in a Weberian sense, Ayau acknowledged that "the decisive means for politics is violence," but its ultimate source of legitimization was the defense of property and of the market order. For this reason, while the violence practiced by political opponents was "offensive," the one practiced by the regime was, in his view, merely "defensive" and, therefore, "fully justified" (Ayau, 1977a). Accordingly, in an article from 1979, Ayau once again attributed a coercive and homogenizing nature to the socialist project, and in a period when the human rights strategy adopted by Jimmy Carter's foreign policy resulted in condemning Guatemala and freezing U.S. arms sales, he defined the socialist opposition to private education as a "violation of human rights." Continuing to reverse the accusations regarding the dictatorial violence, Ayau concluded: "the legalization of the individual right's destruction is the way socialists invariably choose to achieve their goals: the homogenization of society according to their whim, through violence" (Ayau, 1979).

Overall, then, on the one hand, Ayau sought, unsuccessfully, to economically steer the government he was part of and directed specific criticisms toward the economic policies of the military regimes that succeeded in the 1970s (Ayau, 1973, 1977b, 1978). This was done not only under Arana's government but also through a plan for privatizing public institutions, which he considered corrupt and ineffective, proposed in 1979 to President Lucas García. On the other hand, however, the statism of these regimes was never equated with collectivist or socialist planning. On the contrary, the military regimes were politically legitimized precisely because they restrained the socialist threat. The violence they exerted was, according to Ayau, merely a defensive response to the true dictatorial, violent, and rights-violating project represented by socialism and communism. Therefore, while criticizing the economic interventionism of the Guatemalan military regimes, Ayau legitimized the state-mandated repression—even through extra-legal and non-institutionalized violence—of political opponents who, by advocating not only democracy but, most crucially, wealth redistribution, threatened the only "peaceful form" of coordinating society, namely through the market.

The Defense of the Liberal Order through Its Suspension

Political tensions in Central America escalated between the late 1970s and the early 1980s. In 1978–1979, the Sandinista revolution defeated the Somoza regime and seized power. In 1979, a U.S.-supported coup in El Salvador sparked a civil war between the government and the Farabundo Martí National Liberation Front, supported by Cuba and Nicaragua. The objective of the Francisco Marroquín Foundation (FMF), a charitable corporation founded in 1981 and based in California, was precisely to counter the disorder brought about by the Nicaraguan Revolution in the region by encouraging scholarship and education in market economics. As stated in the first "Annual Report and Prospectus" of the FMF, in response to the "armed conquest of Nicaragua" and the efforts of "guerrillas and terrorists to gain dominion over neighboring countries on behalf of those who profess Marxist-Leninist ideology and practice Stalinist brutality," the FFM aimed at "helping critical few potentially influent individuals in some of the Central and South American countries become acquainted with fundamental economic principles and the logic of economic analysis" (FMF Annual Report and Prospectus, 1982, p. 1). The CEES, the UFM and the Escuela Superior de Economía y Administración de Empresas in Buenos Aires were the main recipients of the FMF grants.

With the same objective, in 1981, the budget of UFM included an eighteen-week course on the "Principles and Ethics of the Free Society" for the Guatemalan Army War College officials. The same year, Ayau published an article in *Tópicos de Actualidad*

where he once again debated the claims related to human rights, as they were used instrumentally to justify the "right of society to redistribute wealth." To prevent this misleading use of social justice, Ayau (1981) argued that it was more appropriate to speak of "individual" rather than "human" rights, establishing the priority of the individual property owner over society. In this way, despite the reduced pressure from the Reagan administration compared to Carter's, Ayau could frame the repressive violence exerted by the state not as a violation of human rights but rather as a defense of individual rights against the expropriative threat represented by the guerrillas.

In 1982, in a speech to The Wisconsin Forum, Ayau addressed the issue posed by the guerrilla warfare in Nicaragua, which had supposedly turned the country into a "communist state," in El Salvador, where "guerrilla forces have control over parts of the country," and in Guatemala, where they "commit atrocities" (Ayau, 1982). In all these contexts, Ayau underlined that civil war not only threatened the future of the various countries but also contributed to the economic deterioration of Central America by hindering investments, trade, and tourism.

Depoliticization of society was indeed one of the goals that led entrepreneurs from the CEES and the UFM to support the dictatorship of Efraín Ríos Montt (1982–1983), one of the most murderous commanders who turned much of Central America into a killing field in the 1980s, later convicted of genocide and crimes against humanity. As reported by Martín Rodríguez Pellecer and Karin Fischer, Enrique Matheu, one of the founders of the CEES, became Minister of Economy under Ríos Montt; Juan Carlos Simmons, a member of the UFM's board and a militant of the MLN, joined the Council of State; Ernesto Rodríguez Briones, founder of the CEES, and Carlos Springhmühl, one of the founders of the UFM, collaborated with the Ministry of Finance and donated funds for counterinsurgency efforts (Fischer, 2022, p. 259; Rodríguez Pellecer, 2013, pp. 15–16).

In 1984, in an article published in the right-wing journal *Imprimis*, Ayau explained the success of the coups d'état among the people as a response to "terrorist sabotage, supported by the international Marxist-Leninist movement," capable of calming popular discontent by restoring law and order to the country. In this framework, the dictator could be the figure responsible for "imposing freedom," namely the freedom guaranteed by a market economy. In this sense, Ayau (1984) wrote:

> I am one who believes that, since the principal function of government is to protect people's freedom, it follows that it is proper to use the coercive power of government to maintain freedom. This seems to me to be the same thing as saying freedom paradoxically must be imposed.

In this way, for Ayau, the dictator had the mere role of "defending freedom," that is, coercively establishing a "free" social order based on private property, free trade, and the price system. Just a year earlier, Ayau (1983) had published a book, *En torno al espíritu de la próxima constitución*, in which, drawing on the foundations of Hayek's *The Constitution of Liberty and Law, Legislation, and Liberty,* he pointed to the division of powers, abstract and general norms of just conduct, the limitation of power, and even the people's right to rebellion when public power suppresses the rights of the citizen, as the legal infrastructure of a free society. Yet, precisely in *Law, Legislation, and Liberty,* Hayek (1973/1998, p. 124) justified, as Ayau did, the temporary suspension of the basic principles of a free society in case the long-term maintenance of that order was threatened. Hayek's travels in Latin America corroborated the argument of the "dictatorial exception." Indeed, during his last lecture given in Buenos Aires in 1977, dedicated to democracy, Hayek (1977) affirmed that in case of "exceptional situations," the legislative assembly had to be authorized "to confer emergency powers on the government assembly" (p. 61) that is, to give a dictator the powers of compulsory organization, to be revoked once the emergency was over (Ciolli, 2024). Accordingly, the following year, after his trip to Chile, in a letter to *The Times*, Hayek (1978) wrote that, while not believing that "generally authoritarian governments are more likely to secure individual liberty than democratic ones," in some historical circumstances, "there have, of course, been many instances of authoritarian governments under which personal liberty was safer than under democracies." "After all," he concluded, "some democracies have been made possible only by the military power of some generals." Accordingly, embracing the paradoxical conclusion that to protect the liberal order when it was threatened, it had to be suspended, Ayau redefined the ultimate purpose of political and legal institutions to defend a particular type of freedom: economic freedom within the market order.

Conclusions

Overall, this article has shown how neoliberal ideas circulated in Guatemala long before the Washington Consensus, how they were adapted and used in the economic and political challenges posed by the Central American political context, and what relationship the neoliberal project maintained with the multiple dictatorial regimes that succeeded in the second half of the 20th century. In particular, it has been shown how neoliberal ideas were never fully embraced by the Guatemalan military regimes and, indeed, were used by Ayau to criticize the bureaucratic, corporatist, and developmentalist statism preserved by the armed forces. However, in a context marked by a bloody civil war fought

in defense of two opposing social plans, one backed by guerrilla groups, democratic and egalitarian, the other backed by the National Army, hierarchical and authoritarian, the neoliberal project had to tackle the issue of the political function of violence. By reversing the accusations coming from local activists and intellectuals, as well as from foreign governments, regarding the violation of human rights by the Guatemalan dictatorial regimes, Ayau redefined dictatorship and violence as practices of socialists and anyone who intended to impose, by violating individual rights, an arbitrary dispossession of private property. In this framework, the violence exercised by the military regimes against guerrillas and sympathizers could appear as nothing but the legitimate defense of the proprietary order, the foundation of a free market society. Referring exclusively to neoliberal scholarship—has he said Hayek, Mises, Hazlitt, and Friedman were his intellectual models (Ayau, 2001)—but never to Schmitt, Ayau therefore legitimized, in the case of a threat to the market order, the suspension of the rule of law and the exercise of arbitrary coercion in order to create the social and political conditions for the functioning of the market. In these circumstances, authoritarianism thus became the tool to silence redistributive claims, brutally remove dissent, depoliticize society, and impose an unequal social order, but one that, through private property, competition, and the price system, could guarantee the only neoliberal form of freedom: economic freedom.

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