



Classical Liberalism in Guatemala

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[LINK TO ABSTRACT](#)

Classical liberalism in Guatemala today is very young, budding in the late 1950s and early 1960s, in the wake of the Cuba-inspired insurrections in Central America. In Guatemala, liberalism gathered steam over the next two decades. It began with a small group—it could have gathered in a broom closet—that opposed the tariff, state-owned companies, and price controls. Gradually, classical liberalism appealed to the business community and elites in Guatemala because it offered an intellectual viewpoint in opposition to creeping socialism.

In this young tradition three individuals stand out: Manuel Ayau, Giancarlo Ibarguen, and Armando de la Torre. Today there are three institutions—a university and two think tanks—heavily influenced by these men: Universidad Francisco Marroquín (UFM), the Center for Economic and Social Studies (CEES), and the Center for National Economic Research (CIEN).

Our purpose in this article is to describe and comment on the state of classical liberal thinking in Guatemala, not only in the economics profession and academia, but in the atmosphere of ideas generally, and to a lesser extent, in political and policy action. We interpret classical liberalism as a philosophy or worldview that values individual liberty, freedom of religion, speech, assembly, and free markets. We associate classical liberalism with the ideas of thinkers such as John Locke, Adam Smith, Frédéric Bastiat, Frank Knight, Milton Friedman, Ludwig von Mises, and Friedrich Hayek. In line with practice outside the United States and

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Canada, we will use the term “liberalism” for the most part, rather than classical liberalism.

We conducted several in-depth interviews with influential thinkers in the country, liberal and non-liberal. In this text we draw on these interviews where cited, and in an appendix we further identify the interviewees.

The nineteenth century: No strong tradition of liberalism

The political culture that was transplanted from Spain to Latin America in general and Guatemala in particular was of a very different kind from that which evolved in England or the United States (Andreski 1966, 23–27, 241–244, 279; Cox 2015). The economy in pre-independence Guatemala was based on mercantilist policies that protected the interest of the commercial elites. The interests of the Crown and of the elites were effectively merged. After independence, the elites kept those privileges.³

At the time of Guatemala’s independence in 1821 the country had some influential liberal thinkers, including Jose Cecilio del Valle (1780–1834) and Mariano Galvez (1790–1862). Indeed, del Valle was quite familiar with the work of Locke, Smith, and David Hume, and he corresponded with Jeremy Bentham. The liberalism of del Valle and Galvez, however, was different from classical liberalism, or at least was very limited in its extent. Their thinking centered upon mitigating mercantilism and advancing the separation of church and state.

After 1821, in post-independence Guatemala, the level of protectionism was high and there were barriers to trade with other countries, even close neighbors. There were only a few ports and multiple taxes, including the *alcabala*—a tax on sales and an important source of income for the Spanish Crown. The Catholic Church had great power in land possession—what was called *manos muertas* (“dead hands”)—and the Church managed schools and education in general, which gave it tremendous cultural and political power.

The early liberals reacted against these circumstances (Sabino 2015). Indeed, the 19th century is characterized by an intellectual confrontation between conservatives, in favor of the status quo, and these early liberals, basically anti-clerical, opposing tariffs, and favoring more inclusive voting rights and representation.

3. Note that this explanation, a historical legacy of mercantilism, is akin to the historical institutional analysis by economists such as Acemoglu and Robinson (2012; 2001) and Sokoloff and Engerman (2000).

The early liberals spread their ideas through newspapers and pamphlets. There was not a firm philosophical tradition expressed through treatises and books discussing and dealing with the ideas of individual liberty. Rather, as noted by Carroll Ríos de Rodríguez (2015), “There is not a historical figure in Guatemala equivalent to what [Juan Bautista] Alberdi was in Argentina.”⁴

The “liberals,” as they were in fact called then (as opposed to conservatives), came to political power in 1871 with Justo Rufino Barrios in what is known as the *Reforma Liberal*. They confiscated church lands and attempted to diversify the agrarian economy by promoting coffee on large plantations with secure property rights, promoting public and private secular education, and at the same time growing the bureaucracy and the role of government (Sabino 2015).

Manuel Ayau and the Center for Economic and Social Studies

In the second half of the twentieth century, liberalism found a leader in Guatemala in the figure of Manuel Ayau (1925–2010)—known as “Muso” to his family, friends, and community. In the late 1950s, he led a small group of businessmen concerned with poverty and social problems in Guatemala. They met regularly to discuss and share books. It was a daunting task because, according to Ayau, they did not understand what the liberal economics books said. They navigated these books with dictionary in hand. It sometimes took them days to understand just a few pages. And they began with Mises’s *Human Action*, “a hard book to start with” (Ayau 2006).

This group felt that intellectual discourse in Guatemala had become increasingly socialist and that liberalism and the market economy lacked a voice. They

4. Ríos de Rodríguez (2015) added, “We could argue that Francisco Marroquín was that figure, but we would have to look deeply and carefully into his life to find a connection (*tendríamos que ‘hilar muy fino’*).” Whereas Alberdi made possible a liberal constitution for Argentina, Marroquín was less theoretical; he fought for the rights of indigenous people and a limit on government power. Marroquín was born in Santander, Spain, in 1499 and came to the Americas in 1527. His first destination was Mexico, and in 1530 he traveled to Guatemala with the conqueror Pedro de Alvarado. Alvarado and Marroquín were polar opposites in personality. Francisco Pérez de Antón (1999, 6) describes Alvarado as a ruthless, authoritarian captain and an old caudillo, and Marroquín as a humanist, humanitarian, theologian, and above all an idealist driven by a sense of mission. Marroquín left ecclesiastical positions of high influence first in Spain and then in Mexico to become a “simple priest in an unknown and isolated territory” (*ibid.*). Marroquín was elected governor of the province after the destruction of the central city of Santiago in 1541 and moved the capital to what today is the city of Antigua. Among other contributions, Marroquín founded the first hospital and willed his money and land for the foundation of Santo Tomas College, which later became Universidad de San Carlos, the current state university (Juarros 1826, 127, 131ff.; Aguado de Seidner 1990).

started with a clear mission: to study and disseminate the ethical, economic, and legal principles of a free society. Thomas (2004, 14) indicates that the founders' ideas were directly linked to the Austrian school of economics. They “discovered” the Foundation for Economic Education (FEE) and traveled to New York to a seminar, where they felt “at home,” and they returned to Guatemala bursting with ideas, books and contacts. At FEE they met great liberal economists like Hayek and Friedman. These experiences led to the founding of the Center for Economic and Social Studies (CEES) in 1959. At that time, Ayau was perceived in the country as a man of the far right who did not know what he was talking about (Ayau 2006).

In 1964, invited by CEES, Mises and Hans Sennholz traveled to Guatemala to lecture and conduct a seminar. Hayek did the same in 1965 and 1968, as did Israel Kirzner in 1966, followed by Ludwig Erhard, Dean Russell, Henry Hazlitt, and others.

In the 1960s Ayau and the CEES group grew close to, and were deeply influenced by, the Mont Pèlerin Society, Liberty Fund, the Institute for Economic Affairs, and of course FEE. Ayau established a close and long-lasting friendship with Friedman. These relationships and influences formed the liberal intellectual backbone of CEES and, later, Universidad Francisco Marroquín. Donald Boudreaux has described the early work of CEES:

CEES embarked on an ambitious program of translating into Spanish classic works of economics, political philosophy, and law that were not then available in Spanish—works such as Mises's *Theory and History* and Frédéric Bastiat's *The Law*. And not only translating and distributing them, but also reading and studying them. ... [Ayau] and his CEES associates studied and discussed the works of Mill, Mises, and Hayek, among others. In this way they became impressively self-taught in the social sciences. (Boudreaux 2005, 17)

Ayau and Universidad Francisco Marroquín

CEES was a stepping stone to Universidad Francisco Marroquín (UFM), founded in 1971. Ayau was the university's first rector—almost, as he said, “by default.” Ayau and his friends invited several prominent lawyers to be UFM's first rector, but all declined, not wanting to be associated with “bizarre ideas” (Ayau 1992; 2006).

In the beginning CEES and UFM were responses to the perceived threat of communism in the context of the international Cold War and the ‘armed internal conflict’ in Guatemala. This was a protracted leftist guerrilla insurrection initiated by disgruntled young army officers, who were inspired and supported by the Cuban

Revolution and Fidel Castro. The guerrilla war started in the early 1960s and ended in 1996 with the signing of peace accords.

To say the least, the war and its effects on the civilian population remain a contentious issue in Guatemalan society, and we do not have space here to treat the matter at length. While the communist-inspired guerrillas laid down their arms, a political conflict continues. Suffice it to say that Ayau's vision was to create an intellectual defense against communism and socialism, a defense based on individual liberty, open markets, and strong protection of property rights. UFM was a means to achieve this vision, by educating the intellectual and business elites in the principles of a free society. Ayau believed that, as socialism had been successful by influencing the brilliant minds at the London School of Economics, liberalism could influence smart people in Guatemala. He looked at the Fabian Society as a fruitful model (Ayau 2006).

Founding UFM was a risky endeavor. Ian Vásquez (2010) writes: "In the early days, Muso [that is, Ayau] gave graduation speeches wearing a bullet proof vest under his toga. In the 1980s, he would sometimes wear disguises when traveling in public and took extra security measures at home."

For Ayau to be the first rector of UFM was an effective strategic move since it gave potential donors, mostly friends from the business community, confidence in the project. Ayau appointed himself as a professor of economics, teaching an introductory course called "Basic Economic Postulates," because, in his own words, "nobody else would have appointed me, as economists at the time did not believe in those [liberal] theories." Ayau admitted that he and the founding members of UFM did not know a lot about economics, but they knew that freedom was the source of prosperity (Ayau 2006).

UFM started with forty students and one classroom and professors such as Eduardo Suger, Jesús Amurrio, and Salvador Aguado, who were regarded as among the best in the country (Ayau 2006). Joseph Keckeissen (1925–2011), who studied under Mises at New York University, was another prominent economics professor who influenced and educated many of the first generations of students and was instrumental in designing the curriculum at UFM.

UFM today distinguishes itself by teaching all its students the fundamentals of liberalism. Students in all academic programs, including law, medicine, architecture, and of course business and economics, are required to take classes in the ethics of liberty, the market process, and the ideas of Mises and Hayek. The School of Economics, in particular, is heavy on Austrian economics and public choice, while also teaching some mainstream economics. Thomas (2004) argues that UFM has a palpable "Austrian temperament."

Ayau had a multifaceted personality. He was an entrepreneur, intellectual, and politician—a congressman from 1970–1974. Ayau founded and promoted

BVN, the Guatemalan stock exchange. His many skills and sense of purpose allowed him to transmit a vision of liberalism and inspire business and intellectual leaders in the country. He wrote over two thousand articles and op-eds in national newspapers and several books, among them *The Lost Decade* (1989); a principles textbook, *The Market Process* (1993); and *Not a Zero Sum Game* (2005). His death in 2010 left a huge vacuum in the liberal firmament in Guatemala, one deeply felt by many liberals in the country.

Besides Ayau, two other names associated with UFM were frequently mentioned in our interviews as influential liberals in Guatemala: Giancarlo Ibarguen and Armando de la Torre. Ibarguen was the rector of UFM from 2003 to 2013. He is a businessman and an academic and was influential in the telecommunications reform that was liberal in origin (and that we describe below). Ibarguen's leadership influence at UFM has been profound. He fostered several innovations such as the formation of the Michael Polanyi College and the systematic use of the Socratic method at UFM. Ibarguen also enhanced the international profile of UFM, and he has brought several liberal intellectuals to visit and teach there. He also promoted the translation of important books into Spanish to disseminate liberal ideas in Latin America, and he helped found the Explorations of Liberty program that organizes colloquia for Latin American intellectuals.⁵

Armando de la Torre, a philosopher and former Jesuit, is a professor at UFM who helped introduced public choice into the curriculum at the university. De la Torre started the school of political sciences at UFM. He is a regular writer of op-eds at a national daily. He has worked behind the scenes to promote liberal values among important groups in the country, such as the military. De la Torre's influence as a teacher was recently attested when a group of his students founded a political party. He is an intellectual referent for many liberals in the country.⁶

Academia

Here we present our general perception of the degree of congeniality toward liberalism in universities in Guatemala. The impression is based on our interviews and our long experience and current knowledge of our small country.

5. The program is sponsored by the Liberty Fund and is led by Lucy Martinez-Mont, a former dean of the economics school at UFM.

6. It goes beyond the scope of this article to describe the work of many influential liberals in Guatemala. A few of the many who stand out are Lucy Martinez-Mont (who directs several Liberty Fund colloquia every year), Eduardo Mayora (a former dean of the UFM law school) and Angel Roncero (a founder of what is now Universidad de Occidente).

In Guatemala there are fourteen registered universities in operation, thirteen private and one public. About half of the students attend the single public university, San Carlos (Marroquín 2015, 23). Six universities have a religious association.

Universidad Francisco Marroquín is fairly small. Over 300,000 Guatemalans are currently enrolled at a university, and of these only a little over 1 percent attend UFM (Marroquín 2015, 23). Another small university, Universidad de Occidente, is also perceived as congenial toward liberal ideas, and some of its leaders have worked at UFM.

Several larger private universities, including Galileo, Mariano Galvez, Del Valle, and Universidad del Istmo, do not have a clear profile when it comes to an economic philosophy or ideological outlook.

From our interviews, we received the impression that Universidad Rafael Landívar, a large private university, is less liberal. Universidad de San Carlos, the public university, has been traditionally perceived as a left-wing university, especially in its social sciences departments. Yet at several inter-university seminars organized by UFM's Public Choice Center (CADEP),⁷ the reception of liberal ideas by students and faculty has been friendlier at Universidad de San Carlos than at Landívar.⁸

Think tanks

The think tank landscape in Guatemala is quite diverse. Several think tanks are linked to universities, mainly because their researchers are professors or because there is philosophical affinity. CEES is directly related to Universidad Francisco Marroquín, and CIEN (Center of National Economic Studies)⁹ is indirectly linked to UFM. ASIES (Association of Research and Social Studies)¹⁰ is linked to Universidad Rafael Landívar. IPNUSAC (Institute of National Problems)¹¹ is connected to Universidad de San Carlos. FLACSO (Latin American Institute of Social Sciences)¹² and ICEFI (Central American Institute of Fiscal Studies)¹³ are

7. *Centro para el Análisis de las Decisiones Públicas.*

8. Carroll Ríos de Rodríguez (2015) remarks: "I thought that the main threats to liberalism came from FLACSO or even ICEFI, but at [Universidad Rafael] Landívar, and the centers affiliated to it, there is more radical thinking. Of course Landívar is a large university, but they have moved towards the left. In CADEP [inter-university] seminars we have seen that the strongest opposition to liberalism comes from Landívar. In San Carlos we have found pleasant surprises."

9. *Centro de Investigaciones Económicas Nacionales.*

10. *Asociación de Investigación y Estudios Sociales.*

11. *Instituto de Problemas Nacionales.*

12. *Facultad Latinoamericana de Ciencias Sociales.*

13. *Instituto Centroamericano de Estudios Fiscales.*

not directly linked to existing universities. In some cases, a think tank is part of consortiums with different universities. Researchers at think tanks often move to government positions in different ministries, government offices, embassies, and international organizations.

In keeping with the universities with which they are affiliated, CEES and CIEN are liberal think tanks, while ASIES, IPNUSAC, and FLACSO are more statist. At the same time, the think tanks share some goals, such as greater transparency in government, especially in its finances, and the elimination of privileges in some instances. Some of the main areas of difference and tension among think tanks are fiscal and labor market policies. For example, CIEN and CEES are critical of minimum wages and high tax rates, and they promote labor flexibility. Other think tanks, such as ASIES, promote higher taxes.

A short description of each leading think tank follows:

- As discussed above, CEES was founded by Manuel Ayau in 1959, after he came into contact with members of the Foundation for Economic Education in New York. The group he gathered became the nucleus for Universidad Francisco Marroquín. CEES remains a steady beacon of liberal thinking. Some members of the staff at CEES occupy key administrative positions at UFM, where many of them also teach.
- CIEN, like CEES, promotes individual liberty, the rule of law, free markets, and a reserved role for the government. CIEN started in the early 1980s, and it describes itself as a political organization but with no links to political parties. CIEN has promoted important reforms such as the liberalization of the exchange rate and the decentralization of education. Its main audience is policymakers, and its staff has worked closely with several presidents of the country and with the legislature. CIEN staff and members believe that entrepreneurship is an engine of economic growth and as a result they promote a low-tax regime that can increase the incentives to invest and create jobs. They also put emphasis on accountability and transparency. CIEN funds itself through consulting projects. Many of its members write for national newspapers and are university professors.
- ASIES is a progressive think tank that bases its work on ideas of a social market economy (*economía social de mercado*), rooted in a Christian social framework and concern for social justice. At the beginning in the late 1970s, during the years of internal conflict in Guatemala, it focused on building institutions for a democratic transition, such as the Electoral Tribunal and the Citizens Registry. It does research

in education, labor markets, the judiciary, and recently, on entrepreneurship.

- IPNUSAC is an interdisciplinary research center at Universidad de San Carlos, the public university. It is the means through which that university seeks to influence the scientific, institutional, and policy debates on social and political issues in the country.
- ICEFI focuses on equality, public goods, and redistribution, and less so on wealth creation and economic growth. It studies issues such as the “provision of essential public goods for the improvement of productivity” ([link](#)) and emphasizes state-driven, as opposed to market-driven, development. ICEFI is partially funded by the Sweden International Cooperation Agency and other national and international organizations.
- Like ICEFI, FLACSO is not directly linked to a university; in fact, it offers its own master’s and doctoral degrees in social sciences. It also conducts research on issues related to culture and identity, population and development, and what it describes as a thoughtful process around the “neoliberal reform of the State” ([link](#)). We judge ICEFI and FLACSO to be left of center.
- Finally, the G40 is a loose and informal association of economists from different ideological persuasions that builds on the commonalities among think tanks to promote policy changes (Zelaya 2015).

While both CEES and CIEN are liberal think tanks, they have differences. CEES’s associates are professionals and businessmen whose main source of income is not CEES itself; they are donating their time. Some members of CIEN perceive that the influence of CEES has diminished so much that it is irrelevant to the policy debate. Some members of CEES agree but do not feel that it should be otherwise: “CEES is not influential. Its line is ‘pure,’ and its purpose is to provide direction...but CEES is not close to politicians or journalists,” said one affiliate in an interview (Ríos de Rodríguez 2015). CEES’s associates have not been committed to producing research that might influence policy, although some members of CEES also write for national newspapers.

Some policy reforms in a liberal direction

Some important institutional changes based on economic logic and open markets have come directly from liberal activism in Guatemala. Some are more important than others, but it is hard to judge their long-term or relative importance.

The macroeconomy

The constitutional reform of 1993 included an article prohibiting the central bank—Banco de Guatemala—from lending directly to the government. Manuel Ayau lobbied to get this article slipped in quietly, arguing that central bank independence was important to reduce inflation, public deficits, and the risks of the business cycle, and to promote economic stability. Indeed, the reform had positive results in reducing inflation and its volatility. As for the fiscal deficit, Hugo Maul, Lisardo Bolaños, and Jaime Díaz argue that

...during the first half of the 1980s the fiscal deficit reached an average of 4.3 percent of GDP. However, from the time when it was not possible to finance the deficit through monetary policy this variable [the deficit as a percentage of the GDP] is about 1.5 percent of GDP. (Maul, Bolaños, and Díaz 2008, 174, our translation)

That reform, along with freeing the exchange rate (from an overvalued fixed rate to a market-based rate) and interest rates in 1989, contributed greatly to macroeconomic stability.¹⁴

Another important macroeconomic reform was the liberalization of money markets. The 2000 bill on Free Exchange of Foreign Currency (*Ley de Libre Negociación de Divisas*) allowed individuals to hold, trade, and contract in foreign currency. Before that the quetzal was the only legal tender. One of the results of this law was that the local currency had to compete against foreign currencies, which in practice meant a more austere use of monetary policy (Maul, Bolaños, and Díaz 2008).¹⁵

Telecommunications

The Guatemala telecommunications reform of 1996 was liberal and Coasean in nature, as under it spectrum rights are assigned by auction to private parties. The enforcement of these rights by the regulator (*Superintendencia de Telecomunicaciones*) has been relatively effective, in particular for mobile services, although less so for FM frequencies. The reform has expanded the market and benefited consumers. Indeed, the assignment of the spectrum went from a top-down, discretionary, and highly bureaucratic approach to an organized bottom-up scheme based on clear allocation of property rights:

14. Of course the foreign exchange market is not totally free since it is still influenced by the open market operations by the central bank, the sole supplier of quetzales.

15. Legally it is possible to have bank deposits in any currency, but in practice most deposits are in quetzales, U.S. dollars, and Euros.

The *Ley General de Telecomunicaciones*, adopted in November 1996, significantly revamped Guatemala's spectrum policies. The result is perhaps the most liberal spectrum regulatory policy in the world. These are two essential features of this regime. The first is that the law establishes a presumption that radio waves are to be available for the use of those who request them, and for the purposes requested. ... This inverts the standard, top-down administrative allocation process, where high level trade-offs between alternative uses for radio spectrum are made by government regulators.

The second key aspect is that *usufructuary* rights are used, entitling holders to exercise exclusive control over the use of the radio spectrum in question. This includes the right to change spectrum uses over time, and to subdivide and transfer rights, subject only to minimal technical limitations (designed to prevent interference), international agreements to which Guatemala is a signatory, and consistency with the general frequency allocations established by the International Telecommunications Union (ITU) for the Americas. This has the effect of delegating broad discretion to private parties in determining how radio spectrum is used, including the selection of services, technologies, and business models. (Hazlett, Ibarguen, and Leighton 2007, 442)¹⁶

As a result of this successful reform, many have looked to Guatemala as an example of the way in which the spectrum can be liberalized (see, e.g., Wellenius and Neto 2008; see also Ibarguen 2002).

Failures

Here we turn to several areas in which, according to our interviewees, liberals have not been effective in bringing on reform.

Education

Some think liberals should have been more successful in influencing elementary and high school education, including private and public schooling. A related failure is the deep centralization of government-run public education, which is dominated by union interests and populist politics. Manuel Ayau began talking about a voucher system in the early 1980s, an idea that has never gained traction.

16. "In the Guatemalan Civil Code the usufructuary right carries the right to use and enjoy the property of another to the extent that such use and enjoyment does not destroy or diminish its essential substance. Since electromagnetic waves are infinitely reusable and are not 'destroyed or diminished' when employed, these rights are a close approximation of private property rights in radio spectrum" (Hazlett, Ibarguen, and Leighton 2007, 442–443).

There was one small window of success for liberalism. When María del Carmen Aceña of CIEN became Minister of Education during the government of Oscar Berger (2004–2008), she promoted PRONADE (National Community-managed Program for Educational Development).¹⁷ PRONADE's main objectives were to curb union power, align the incentives of teachers and parents, and increase civic and democratic education (see Altschuler and Corrales 2009; 2013). It attempted to reduce the power of the teachers unions by promoting a decentralized system where communities managed schools.

The program grew rapidly and was a temporary success. But Aceña could not do it for long, and with the new government led by UNE (National Union of Hope)¹⁸ she was replaced. One of the first things the new administration did was to re-empower unions and eliminate PRONADE.

From a liberal perspective it is important to ask why programs like PRONADE, whose primary objective was to empower communities in order to expand and improve the quality of education, failed. There are some key reasons. Those who opposed the program raised the bogeyman of privatization, claimed that the reform violated current legislation (the state as the provider of universal and free education), and warned that it would also cause teachers to lose benefits.

ProReforma

During the beginning of the 1980s, Ayau led a group in the task of writing a well researched government plan, essentially a guide on how to liberalize the economy in Guatemala.¹⁹ They offered this plan to any candidate who would take it seriously, and they held a series of meetings and presentations to promote its main ideas. For each issue examined, they used the same format: (1) description of the problem, (2) ideal solution, and (3) politically feasible solution. Some of the main proposals of this document were: privatization of state-owned companies (at a time when government-owned companies were numerous and onerous), liberalization of interest and exchange rates, elimination of price controls and subsidies, elimination of tariffs and export taxes, elimination of progressive income taxation, elimination of the compulsory state social security system, an individual savings account pension system, fiscal decentralization, a voucher system in education, and other actions aimed at reducing government intervention and distortions. Over the next two decades, some reforms were made in directions indicated by the document.

17. *Programa Nacional de Autogestión para el Desarrollo Educativo*.

18. *Unión Nacional de la Esperanza*.

19. Part of the information in this section comes from a presentation by Manuel Ayau (2007).

During the decade of the 2000s, Ayau and a group of friends spearheaded the “ProReforma” effort to revise the Guatemalan constitution in order to strengthen property rights and the rule of law. To make the judiciary and legislature more independent and responsible, they suggested changes in the constitution inspired by Hayek’s distinction between law and legislation and particularly by his concept of *demarchy* (Hayek 1979). At root, ProReforma’s proposals attempted to establish a Senate charged with discovering law and protecting it from short-term, politically inspired, rent-seeking, or populist legislation in the Congress. Despite the fact that the ProReforma petition gathered over 70,000 signatures, more than ten times the legal requirement for a mandatory vote in the legislature calling for a referendum on the proposed reforms, Congress ignored it.

When Ayau died in 2010, the ProReforma movement lost its strength, and it has not reemerged. The ProReforma project exemplifies Ayau’s preoccupation with institutional and constitutional economics, which dates probably to the early 1990s when Ayau was hired by the Cuban American National Foundation to propose a liberal system for a post-Fidel Cuba. Ayau was increasingly disillusioned with economic policy, believing that the main problem was institutional. He thought that the constitutional-legal framework was the key, and that if a country improves its constitutional framework, other things will follow.

Politics

There are a number of liberal voices in the media, including a few prominent op-ed columnists in the largest dailies and radio talk-show hosts. But there are currently no loud, influential liberal voices in politics or government.²⁰ Even though institutions like UFM are successful at placing graduates in the labor market, specifically as entrepreneurs or businessmen in local or multinational companies, few go into politics. UFM emphasizes the positive role of private enterprise, as opposed to government and politics, so most graduates feel more attracted to the former. Liberals, it seems, do not want to work in government. Another reason that UFM graduates are not attracted to enter politics and working in the government is that political parties lack a clear and sustained ideology; also, the state is thought to be captured by corrupt political elites. Manuel Ayau felt frustrated for the little impact UFM had on the political life of the country.

Some liberals feel that at UFM there has been a waning of the urge to promote domestic political change. Some hold the view that recent and current

20. Interestingly, an ASIES associate expressed the view that while liberal thinkers do not engage in political activity or work within the government, non-liberals do—and as a result, policies will not align with a broader liberal agenda (Maul 2015; Zelaya 2015).

UFM leadership is more preoccupied with the international liberal movement than with domestic political and policy dialogue. In the early years there was a sense of urgency, with opponents clearly defined, but this clarity has been diluted. The late 1990s witnessed the privatization of state-owned companies, the elimination of most price controls, and further liberalization of the financial sector, and with these changes came the perception that things were moving in the right—liberal—direction. When A. Portillo came to power in 2000, he embarked on a populist path that came as a reality check for liberals. In 2014, a new political party was established based on sound liberal principles and with a long-term strategic plan.

In a country where populism is rampant and welfare policies and handouts are on the rise, liberals have a hard time articulating a message that might resonate and find a wide constituency. A case in point is probably Ayau himself, who when running as a vice presidential candidate in 1990 was often heard at political rallies uttering: “I will not give you anything!” (*yo no les voy a dar nada!*). Politically, that was suicidal, to say the least (Ríos de Rodríguez 2015).

Comparison to the United States

There are a number of differences between classical liberalism in Guatemala and in the United States. Most importantly, in the United States liberalism is deeply rooted in the history and institutions, whereas in Guatemala it never really took hold. Guatemala did not have equivalents of the Lockean ‘founding fathers’ or the Federalist Papers debate, and this is reflected in how its institutions evolved. For most of its history, Guatemalan politics and government have been dominated by the *caudillo*—strongman—model (see Andreski 1966, 241–244). By contrast, the United States from its birth established open institutions that, despite many setbacks, have survived to this day. Another aspect is federalism. There is substantial localized representation and government power in the United States, while Guatemala has a highly centralized government with weak representation at the county, municipal, and state levels.

Alongside a deep yearning and aspiration for democracy—loosely defined and understood as simple majority rule—a class-struggle world view is deeply imbedded in education, the media, and political discourse in Guatemala, at least since the 1950s and 1960s. Perhaps one of the main, unseen, and unsung victories of liberals and liberalism in Guatemala is that it has managed to avoid a much more demagogic, statist path, à la Venezuela or Bolivia.

Guatemala is a mostly poor country with many of the problems and symptoms typical of economic underdevelopment, all of which pose both challenges and opportunities for liberal thinkers and activists. The standout problem in

Guatemala is widespread poverty. Key difficulties are crime and violence, malnutrition, lack of education, underemployment, government corruption and state capture, and a very weak and inefficient justice system, all compounded by slow economic growth. Annual growth in real per capita income has averaged less than 1 percent over the last three decades. It is no wonder that the Guatemalan intelligentsia are in awe of Thomas Piketty (2014) and that politicians are more likely to offer a free lunch than a flat tax. In the same 30 years, roughly 10 percent of the population has migrated, mostly to the United States. It is common to read and hear in the media that the émigrés have fled in search of ‘the American dream.’

Without liberals there is no liberalism: Concluding remarks

Some liberals perceive that important anti-liberal thinking comes from the private sector itself. As one interviewee commented: “There is a rejection of pure classical liberalism, even within groups of business associations, because we tell them that they are mercantilists” (Ríos de Rodríguez 2015). The mercantilist or ‘crony capitalist’ tendency of the private sector is strong in every country, but especially in countries where the historical legacy is like that of Guatemala.

The liberal movement in Guatemala has the usual internal tensions, particularly between moderates and radicals, or bargainers and challengers. Some argue for the reduction of the state to the minimum, while others think that a strong state is necessary in areas such as police and security. In the words of one interviewee:

[Some groups] adopt very radical postures that do not invite dialogue. They argue, for example, that all international cooperation is corruption, or that you are not a true liberal because you are not willing to eliminate the central bank...they take all-or-nothing stances. We do not know how to be a plural community.²¹

Liberal civilization gave the world the idea of ‘the American dream.’ Can there be a ‘Guatemalan dream’? In the current state of affairs, liberals participate actively in the intellectual debate and are highly critical of policies, but perhaps fall short in formulating and selling concrete liberal proposals as solutions to social problems. A radical Objectivist ranting on the radio, saying that government should play no role in education or health, not only does not draw many sympathizers, but fails to articulate feasible policies.

21. Interviewee wishes to remain anonymous.

To be sure, there are some very difficult problems to address, and this requires human and material resources. One sees in the United States institutions such as the Mercatus Center, the Independent Institute, or the Cato Institute, and many other like-minded organizations, where many individuals devote entire careers to the study of policy issues. This kind of activity and commitment takes a lot of resources and leadership; liberalism in Guatemala could use more of both. Daron Acemoglu and James Robinson (2012) underscore the role of critical junctures coinciding with institutional drift as key drivers of opportunity for the development of open, inclusive institutions. A symposium in *Econ Journal Watch* posed the question: “Why is there no Milton Friedman today?”²² We ask the question: Why is there no Manuel Ayau today?

Liberals in Guatemala need to work hard and muster the resources to develop an organizational cluster, broad and deep, properly focused on domestic issues, to impact business, education, policy, and government. Research is important in order to engage in a conversation, beyond deep principles, based on evidence and argumentation leading to the identification and design of practical liberal reforms. For this, liberals need to re-engage the business community and intellectuals, move them out of their post-Cold War comfort zone to work on common purposes, and to make Guatemalans realize that what freedom they have is just one populist election away from being vaporized. Liberals enjoy armchair study and philosophy, but they must also build social and organizational capital, generating actions and proposals that can empower social development and build strong, liberal institutions.

Appendix

List of interviewees:

- Carlos Sabino, historian and professor at UFM.
- Hugo Maul, economist, professor at UFM, and director of a think tank.
- Glenn Cox, historian and professor at UFM.
- Raquel Zelaya, economist, professor at Universidad Rafael Landívar, and director of a think tank.
- Carroll Ríos de Rodríguez, political scientist, professor at UFM, and director of a think tank.

22. See Klein (2013).

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