

## **INFORMATION TO USERS**

**This manuscript has been reproduced from the microfilm master. UMI films the text directly from the original or copy submitted. Thus, some thesis and dissertation copies are in typewriter face, while others may be from any type of computer printer.**

**The quality of this reproduction is dependent upon the quality of the copy submitted. Broken or indistinct print, colored or poor quality illustrations and photographs, print bleedthrough, substandard margins, and improper alignment can adversely affect reproduction.**

**In the unlikely event that the author did not send UMI a complete manuscript and there are missing pages, these will be noted. Also, if unauthorized copyright material had to be removed, a note will indicate the deletion.**

**Oversize materials (e.g., maps, drawings, charts) are reproduced by sectioning the original, beginning at the upper left-hand corner and continuing from left to right in equal sections with small overlaps. Each original is also photographed in one exposure and is included in reduced form at the back of the book.**

**Photographs included in the original manuscript have been reproduced xerographically in this copy. Higher quality 6" x 9" black and white photographic prints are available for any photographs or illustrations appearing in this copy for an additional charge. Contact UMI directly to order.**

# **UMI**

**A Bell & Howell Information Company  
300 North Zeeb Road, Ann Arbor MI 48106-1346 USA  
313/761-4700 800/521-0600**



UNIVERSITY OF MIAMI

FIDUCIARY DEMOCRACY:  
THE ECONOMIC LINKAGE TO THE POLITICAL  
SYSTEM IN PERU IN THE 1990s

By

Adolfo F. Chiri

A DISSERTATION

Submitted to the Faculty  
of the University of Miami  
in partial fulfillment of the requirements for  
the degree of Doctor of Philosophy

Coral Gables, Florida

July 1997

UMI Number: 9805987

Copyright 1997 by  
Chiri, Adolfo F.

**All rights reserved.**

---

**UMI Microform 9805987**  
**Copyright 1997, by UMI Company. All rights reserved.**

**This microform edition is protected against unauthorized  
copying under Title 17, United States Code.**

---

**UMI**  
**300 North Zeeb Road**  
**Ann Arbor, MI 48103**

© 1997  
Adolfo F. Chiri  
All Rights Reserved

UNIVERSITY OF MIAMI

A dissertation submitted in partial fulfillment of  
the requirements for the degree of  
Doctor of Philosophy

FIDUCIARY DEMOCRACY:  
THE ECONOMIC LINKAGE TO THE POLITICAL  
SYSTEM IN PERU IN THE 1990s

Adolfo F. Chiri

Approved:



---

Steve Stein  
Professor of History



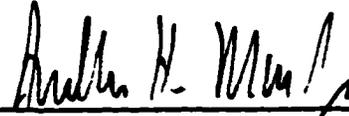
---

Tarek M. Khalil  
Dean of the Graduate School



---

Richard Weisskoff  
Professor of International  
Studies



---

Ambler H. Moss, Jr.  
Professor of International  
Studies



---

Joaquin Roy  
Professor of International  
Studies



---

Lawrence Robertson  
Professor of International  
Studies

CHIRI, ADOLFO F.

(Ph.D., International Affairs)

Fiduciary Democracy: the Economic Linkage to the Political System in Peru in the 1990s. (July 1997)

Abstract of a doctoral dissertation at the University of Miami.

Dissertation supervised by Professor Steve Stein.

No. of pages in text 381.

Fiduciary democracy, a new concept developed in this dissertation, represents a political regime that emerged in Peru in the early 1990s. This type of political regime is identified in the case of Peru, where it has resulted from the interaction of the weak economic organization of the country, the deterioration of the basic institutions of the society, and the forces impelling the country toward incorporation into the international market. The dissertation uses input-output theory and the theory of polyarchy as a theoretical framework. The study analyzes the main characteristics of the Peruvian economy of the 1980s and 1990s and the manner in which it functions. The dissertation also analyzes the economic policies that were applied in this period and the role of the state and the economic agents as political actors in the economic policy decision-making process. The study concentrates on the principal elements of the political process, such as the political participation of the citizens, competition among the political parties, civil and political liberties, and government responsibility to determine the

characteristics of the Peruvian polyarchy of the 1980s and early 1990s. Additionally, it takes into account the behavior of the political parties and the insurgent movements as contributing factors to the collapse of the Peruvian political system. The emergence of the new political regime that coincided with the decision of President Fujimori to close the Congress on April 5, 1992 and the characteristics of its consolidation are analyzed. Similarly, the role of the President and the armed forces as key actors in this process are examined. The study concludes by identifying those key elements that identify the regime of fiduciary democracy.

To the Peruvian people,  
who are waiting for Godot.

## ACKNOWLEDGMENTS

I would like to express my appreciation to Steve Stein for making it possible for me to study at the University of Miami and for his valuable discussions over the course of the last six years regarding the substantial problems faced by Peru. Our ongoing dialogues are reflected in the content of the dissertation. He is one of the most knowledgeable American scholars regarding the complexity of the fundamental issues that surround the Peruvian reality. I would like to acknowledge Ambler Moss who, in both his capacity as Dean of the Graduate School of International Studies (GSIS) and as Director of the North-South Center, gave me encouragement and support during my time in the graduate program. Through academic activities conducted by the North-South Center, I was provided with a valuable intellectual environment to discuss the key issues pertaining to Latin America. I am grateful to Richard Weisskoff for giving me the opportunity to work with him and for sharing with me his innovative teaching methodology and profound understanding of the economy and of humankind. He gave me steady encouragement throughout the various stages of my studies and the progress of this dissertation. In addition, thanks go to Joaquín Roy for his for his patience in reviewing several drafts of the manuscript

and for his valuable comments. His broad perspective on social thought enriched my experience at GSIS and the dissertation. Also, I would like to thank Lawrence Robertson, who provided a consistent challenge to the methodological and conceptual foundation of the dissertation. Our several discussions resulted in substantial improvements to the development of the ideas presented.

Also, I wish to recognize the faculty of the Graduate School of International Studies, who, from a broad array of disciplinary perspectives, who contributed to my understanding of international affairs. I appreciate the efforts of the administrative staff at GSIS, in particular those of Steve Ralph, who went above and beyond his responsibilities to assist me in my scholarly activities. Finally, I am grateful to the academic community of the University of Miami, who provided me with an appropriate intellectual environment in which to develop my ideas during my tenure at this University.

## TABLE OF CONTENTS

I.	Introduction.....	1
A.	The Problem.....	1
B.	Relevant Literature.....	13
C.	Research Objectives.....	22
D.	Methodology.....	23
1.	Input-Output Theory.....	24
2.	Polyarchy Theory.....	28
3.	Primary and Secondary Data.....	43
II.	Organization of the Peruvian Economy.....	48
A.	The Structure of the Peruvian Economy in the 1980s and 1990s.....	49
B.	The Nature of Intersectoral Relations.....	56
1.	Direct Effects.....	62
2.	Multiplier Effect.....	72
C.	Generation of Income and Its Distribution.....	82
D.	The International Market as a Key Element of the Functioning of the Peruvian Economy.....	87
E.	Conclusions.....	96
III.	Economic Policy and Its Actors.....	101
A.	Peruvian Economic Policies During the 1980s and 1990s.....	102
B.	The State as the Architect of the Economic Policy.....	115
C.	Economic Agents as Political Actors.....	139
1.	Labor Organizations.....	139
2.	The Business Community.....	144
3.	The Informal Sector.....	151
D.	The Restrictions Set by the International Market.....	156
E.	Conclusions.....	164

IV.	The Peruvian Polyarchy.....	171
A.	Re-Establishment of Polyarchy (1980-92).....	172
1.	Political Participation.....	175
2.	Competition.....	191
3.	Civil and Political Liberties.....	204
4.	Government Responsibility.....	208
B.	Political Actors.....	214
1.	Political Parties.....	215
2.	Insurgent Movements.....	223
C.	Conclusions.....	235
V.	The Emergence of Fiduciary Democracy in the 1990s...	248
A.	The Rupture of the Polyarchy.....	248
1.	The Prelude to the <i>Autogolpe</i> .....	250
2.	The <i>Autogolpe</i> .....	255
3.	The Political Role of the Military.....	257
4.	The Internal and International Impact.....	264
B.	Configuration of New Polyarchy.....	272
1.	Changing the Rules.....	272
2.	Consolidation of a New Model.....	281
3.	Reshaping of the State.....	301
C.	Conclusions.....	312
VI.	Conclusion.....	324
Appendix A.	Definition of the Variables of the Input-Output Model and Solution of the Model.....	336
Appendix B.	Sectors of the Peruvian Economy.....	344
Appendix C.	Matrix of Technical Coefficients.....	345
Appendix D.	Matrix of Outputs [A*].....	351
Appendix E.	Inverse of the Leontief Matrix [I-a]-1.....	357
Appendix F.	Inverse Matrix of Outputs [I-a*]-1.....	363
Bibliography.....		369

## CHAPTER I: INTRODUCTION

### A. The Problem

Fiduciary democracy<sup>1</sup> is a new political regime type that has emerged in Peru in the 1990s. This political regime is "fiduciary" in the sense that it represents a tacit arrangement between the citizens and the president whereby the citizens place their confidence, faith, and reliance in the president, whose policies, leadership, and protection are sought; the president serves as the holder of a "trust" and acts in a fiduciary capacity to the citizens, whose expectations are entrusted to him. It is "democracy" in the sense that it is conducted under a constitutional mandate; there are elections to select the president, the representatives of the Congress, and the municipal authorities; there are political parties; and there is freedom of expression. However, this type of political regime is different from a fully democratic political regime principally in that the legislative and judiciary branches do not function

---

<sup>1</sup>The term "fiduciary" comes from the Latin *fiduciarus*, in which *fiducia* means trust or confidence.

independently of the executive branch, and other public institutions do not function according to the rule of law. In addition, the citizens do not have a mechanism by which to participate in the decision making process and demand accountability from the government. The citizens trust the government and anticipate that some day their expectations will be met through the government's actions.

The fiduciary arrangement emerged in Peru in the 1990s because the population—tired of the politicians' unfulfilled promises, economic crisis, violence, and the ineffectiveness of the political system—sought something different, something of whose nature and character they were unsure, but something in which they hoped to find a solution to the problems of the country and to their own individual difficulties. Because of this sense of hope that the people held out for something other than what had occurred in the past, the people were willing to pay a high price, in economic, political, and social terms, in the expectation that their "trust" would be transformed into future benefits. This confidence and trust that the people held was placed in a "depository," the leadership of the president, who formally represented the negation of the previous system. The people were so disillusioned with the past system and so beaten down by the crisis of the country that they were willing to make a "long-term" deposit in this fiduciary arrangement.

The characteristics of the model of fiduciary democracy are outlined in the following discussion. It implies the existence of a weak economic organization that is disarticulated and incapable of promoting sustained economic growth. Under this model, the growth of the economy produces increased unemployment and an increased income distribution gap. This model of economic organization, which does not satisfy the consumption needs of the citizens also generates a large social sector that is discontent with the system and has the potential to threaten the political and economic order.

The economic organization is oriented toward export production of primary products. Revenues from these products depend on the prices established on the international market, a process over which the country has little influence. It is also oriented toward increased imports of consumer goods, capital goods, and inputs, which is accompanied by policies that encourage patterns of consumption and standards of social conduct that are promoted by the forces of the international market.

The inability of the economy to generate economic resources for investment forces the domestic companies and the government to contract foreign debt. Due to its large volume in relation to the productive capacity of the domestic economic system, the amount of the foreign debt and service on

it constitute a conditioning element and assume a priority status in economic policy design. This economic policy process is supervised by the international financial institutions in order to guarantee payment on the foreign debt, and the majority of national economic and political agents have little presence.

The multinational enterprises have come to occupy the key sectors of the economy through the process of privatization of the state-run enterprises. Their increasing presence in the economy signifies that the business decisions that affect the economy overall are made by foreign actors and correspond primarily to the objectives of the multinational enterprises; the national business sector has only a small degree of participation.

The state's adoption of neoliberalism as an official ideology and universal proposal for economic policies assigns the task of regulating the economic system to the market. The adoption of this ideology does not leave room to design alternative policies, and the state is pushed to abandon its role as promotor and designer of long-term economic development strategies.

The country's adoption of the democratic system as a political system is not necessarily a response to democratic values but rather to the pressure of the international community, for which the only acceptable political system is

a democratic one. This implies the existence of formal elections, political parties, civil liberties, and a constitutional mandate. Despite these formal "trappings" of democracy, the system is characterized by the lack of a system of checks and balances, weak institutions, and insignificant social participation in the decision making process.

The president's leadership is exercised with the support of the armed forces and of the system of intelligence. He manages the country in order to guarantee the public order, the establishment of the rules of the game for foreign investment, the efficient administration of public resources, and the policies that target the poorest social sectors. Through clientelistic mechanisms, he establishes a direct relationship and a psychological alliance with these sectors.

The model of fiduciary democracy that has emerged in the 1990s has its antecedents in the failure of the constitutional regimes of the 1980s. The administrations of Fernando Belaúnde Terry (1980-85) and Alan García Pérez (1985-90) failed in the management of the economy because they did not alleviate the economic problems of the country. Rather, their policies served to aggravate the already-existing economic problems of the country to the point that they brought about an economic crisis that was unprecedented in the recent history of the country. Also, both administrations progressively weakened

democratic values and confidence in the state by failing to follow through on social and economic promises.

The deterioration of the economy and the aggravation of inequality and absolute poverty reached a crucial point by the beginning of the 1990s. This can be illustrated through the following three considerations. First, since 1970 the periods of expansion of the Peruvian economy became increasingly shorter and evidenced lower average rates of economic growth than existed in the decade of the 1950s. In addition, periods of stagnation, such as the recessions of 1982-84 and 1988-92, were of a longer duration than had previously been experienced. In 1991, the average level of per capita GDP was similar to the level in the period 1955-60. Second, in 1991 the real wages of the private sector represented 25 percent of the 1974 level. Also in 1991, public-sector salaries were 8 percent of those in 1981. The minimum wage was only 12 percent of that of 1974 and 18 percent of that of 1981. The deterioration of the income of the peasants and self-employed workers was also significant. Even though the income of the labor force declined in the period 1980-91, entrepreneurial profits increased. Nevertheless, the private investment declined. The gross investment of 1990 represented only 60 percent of the level that existed in 1981. Third, the most flagrant expression of the country's economic turmoil was the hyperinflation that befell the country, which in 1990 reached

7,649.6 percent and had traumatic effects on the population that contributed to a decline in their confidence in the viability of the economic and political system under which they were living.<sup>2</sup>

The governments of Presidents Belaúnde and García also failed in the political area. This was because they did not promote the construction of a fully democratic regime; on the contrary, they brought the country to a crisis of governability that coincided with the deterioration of the institutionality of the country. Since the mid-1970s, the state has undergone a dramatic decrease in its capacity to exercise its functions and its power. Owing to a lack of fiscal resources and motivated principally by inefficient management of most of the 186 enterprises maintained by the state, whose activities represented 20 percent of the GDP in the 1980s, the state-run enterprises suffered huge losses. These losses were covered by the already weak national budget, a third of which was used to make payments on the foreign debt. Similarly, the legislative power displayed signs of ineffectiveness in the functions of lawmaking and serving as a balance against the executive power. The judicial branch suffered diminished authority, principally due to corruption scandals.

---

<sup>2</sup>These figures were obtained from the *Instituto Nacional de Estadística e Informática* in Lima.

In addition, the political parties no longer represented the primary political force of the country. Their lack of response to the country's problems distanced them from the citizens. The general elections of 1990 confirmed this tendency toward the deterioration of the political parties. In the elections, Alberto Fujimori Fujimori and Mario Vargas Llosa, two independent candidates, competed for the presidency, with Fujimori winning the election. At the point of the breakdown of the Peruvian political system in April 1992, 82 percent of the population declared that they were without party affiliation.

Further, civil society had become fragmented and weak. The number of union members had decreased, and the "clasista"<sup>3</sup> character of their organizations had diminished. The peasant movements abandoned their calls for land, which they began in the 1960s. With the exception of the *rondas campesinas* and the *comités del vaso de leche*,<sup>4</sup> the popular organizations lost their dynamism.

In addition to the circumstances outlined above, the most significant political failure of the administrations of the

---

<sup>3</sup>Clasista refers to the situation in which a worker identifies with other workers through an ideological, Marxist perspective.

<sup>4</sup>Rondas campesinas and comités del vaso de leche are various grassroots organizations.

1980s was the growth of the political violence led by *Sendero Luminoso* and the *Movimiento Revolucionario Túpac Amaru* (MRTA).<sup>5</sup> The threat of *Sendero Luminoso*, who wanted to achieve the destruction of the state, affected the legitimacy of the state and placed the poorest sectors of the Peruvian population in the crossfire between the two protagonists of the subversive war. Among the population this created a sensation of vulnerability and the necessity for a sense of authority in the country.

In the early 1990s the country had arrived at a situation in which basic public order and economic rationality seemed almost out of reach; Peru seemed impossible to govern. From within this context, two actors assumed central roles in the political life of the country: President Alberto Fujimori, a political outsider who was elected in 1990 by defeating Mario Vargas Llosa<sup>6</sup> for the presidency; and the Peruvian Armed Forces. Together these two actors enacted the *autogolpe* of April 5, 1992.<sup>7</sup> The administration of President Fujimori set

---

<sup>5</sup>These two insurgent groups, of orthodox Marxist ideology, appeared on the political scene in Peru in the 1990s. Their main objective was to destroy the state in order to create a new society.

<sup>6</sup>His background and reasons for his defeat are discussed in Chapters 4 and 5.

<sup>7</sup>*Autogolpe* is an action unilaterally taken by the executive power, against the Constitution and with the support of the armed forces, to close the legislative power and

into place the elements for the construction of a new political regime, fiduciary democracy. This regime, on the basis of its "effectiveness" in establishing "economic order" and restoring "peace" in the country, has gained legitimacy and has the potential to become a model for other countries to follow.

The new political regime in Peru, led by President Fujimori, has taken action in the economic, political, and social spheres. In the economic sphere, the government initiated a series of structural reforms designed to result in a state that would, on the one hand, no longer intervene directly in the productive activity of the economy, and, on the other hand, let the market assign the resources of the economy. This state stabilization program entailed opening the economy to goods, services, and financial flows; eliminating price controls; reforming the labor market; eliminating subsidies; reducing public expenditures; and enforcing tax collection. In the political sphere, the new regime discouraged the resurgence of the political parties and of organized civil society, a process begun under Alan Garcia but accelerated by President Alberto Fujimori. In the social aspect, the new regime targeted the needs of the sectors of the population in the urban shanty towns and the rural

---

directly control the judiciary and electoral branches. This happened in Peru on April 5, 1992.

highlands, providing resources to address their basic needs through such means as the construction of schools, the provision of potable water, and the expansion of electrical service. President Fujimori's policies appeared to be well received by the general population, which was reflected in the results of the general elections of 1995 when he was reelected for five more years. Since the elections of 1995, additional changes have been instituted that signify attempts toward the consolidation of the particular model of democracy that has emerged in the country.

The analysis of the contemporary Peruvian political process raises several questions, the answers to which will shed light upon the relationship of Peru's economy to its democratic system. What was the logic of economic organization prior to the collapse of the political system and how will it be reconfigured under the new political regime? What were the characteristics of the economic policies that were applied during the 1980s and led to the crisis in the economic system? How did those policies impact upon the collapse of the political system? What was the role of the state and the economic agents as political actors in the process of collapse of the Peruvian political system of the 1980s, and what is their new configuration in the 1990s? How has the process of rapid Peruvian incorporation into the global market economy influenced the collapse of the political system and the

inauguration of a new political regime? How does the nationalist character of Peru's military institutions confront the loss of national autonomy in the decisions of economic order that has been brought about by the new economic model? What role does President Fujimori play in the process of collapse of the old political system and the reconstruction of the new one? What are the characteristics of the new political regime that emerged in the 1990s?

Peruvian politics during the administration of President Fujimori merit study because, at least in Latin America, there are countries with characteristics similar to those that existed in Peru up to the time of the breakdown of the Peruvian political process. Among others, the following characteristics can be observed in other countries: an economy that does not satisfy the basic needs of the population; signs of weakening and loss of prestige for traditional political institutions; and the pressures on the nation to participate in the international market economy. Although different in form, the responses in other countries were similar in essence in that they signified going against the rules of the constitution. This was the case in countries such as Guatemala in 1993, when President Serrano failed in his attempt to close the Congress, and in Ecuador in 1997, when the Congress dismissed President Bucaram. This situation could imply the formation of a new model, "fiduciary democracy," which is an

expression of a particular way of organizing the economy through the necessity of internationalization of the country, a reshaping of the institutions of the society, and the stagnation of the participation of the population in the political process.

#### **B. Relevant Literature**

To address the characteristics of the configuration of the model of the democratic system in the Peruvian case, it is necessary to review the literature that relates democracy as a political system with the economy. Over the course of the period from the late 1950s to the late 1970s, a tradition of quantitative cross-national studies emerged from the works of such scholars as Seymour Martin Lipset, Phillips Cutright and James A. Wiley, and Kenneth A. Bollen. These scholars found a positive correlation between capitalist development and democracy. Lipset noted that increased industrialization brings about increases in wealth, education, communication and equality. This development he associated with a more moderate lower and upper class and a large middle class which is by nature moderate; and this in turn increased the possibility of stable democratic forms of politics.<sup>8</sup>

---

<sup>8</sup>Seymour Martin Lipset, *Political Man: The Social Bases of Politics*, 3rd ed. (Garden City, NY: Anchor Books, 1963).

The initial studies of Cutright imply that social and economic development represent a structural condition for democracy in the long term. Cutright and Wiley postulated a positive association between social and economic development and democracy. At the same time they suggested that economic development entails a division of labor and social differentiation to which representative democracy is the most adequate constitutional response.<sup>9</sup>

Similarly, Bollen also discussed the relationship between economic development and democracy. He incorporated several other considerations into his 99-country analysis: the relationship between democracy and income inequality; the relationship between democracy and a nation's level of dependency on transnational economic activity; and the role of cultural factors and the impact of state strength and democracy. His analysis found a strong relationship between economic development and democracy, but he concluded that the favorable conditions for democracy were rooted in the particular historical situation of early capitalist development and are not likely to be repeated in other cases.<sup>10</sup>

---

<sup>9</sup>Phillips Cutright and James A. Wiley, "Modernization and Political Representation: 1927-1966," *Studies in Comparative International Development* (1969).

<sup>10</sup>Kenneth A. Bollen, "Political Democracy and the Timing of Development," *American Sociological Review* 44 (1979).

Those writing in this research tradition utilized many countries in their analyses. These authors used information based on standard aggregate variables for each country. This information was translated into numerical expressions and subject to mathematical operations such as relational analysis and *multivariate analysis*. This type of quantitative analysis was viewed as the only substitute for the experimental approach deemed impossible in macro-social analysis. The quantitative testing of specific hypotheses produced a number of consistent results which show a positive relationship between capitalist development and democracy.

This tradition, however, has been criticized by some, such as Guillermo O'Donnell. The weaknesses he cites relate to causal inferences. O'Donnell asserts that inherent in these quantitative cross-national studies is the assumption that the causal conditions which affect the chances of democracy today are the same as those which shaped democratic development during the early rise of capitalism. This assumption, O'Donnell suggests, could be unfounded.<sup>11</sup>

Further, quantitative studies suffer from what O'Donnell calls the *universalistic fallacy* which attempts to find the same relationship between democracy and development in all

---

<sup>11</sup>Guillermo A. O'Donnell, *Modernization and Bureaucratic Authoritarianism: Studies in South American Politics* (Berkeley, CA: University of California, Berkeley, 1973).

countries. The empirical evidence shows that some countries, such as Brazil in South America, have accomplished a relatively high level of modernization under authoritarian governments. This erroneous universalization is a result of the use of global indicators such as per capita income. This type of indicator fails to take into account the way in which income is distributed among the diverse segments of the population. As a consequence, an understanding of how these sectors will react politically is not attained.

In spite of arguments which reject the conclusions determined through this research tradition, it can be noted that unchallenged findings still hold: there is a stable positive association between social and economic development and political democracy. This cannot be explained away by problems of operationalization. Likewise, the results cannot be invalidated because of their inapplicability to certain regions of the world.

The quantitative findings are compatible with a wide range of explanatory accounts such as: the possible negative effects of the state's strength on the chances for democracy; the association between sterility of political form and the provision of social security; the negative correlation between centralized control of the economy and democracy; the negative effects of ethnic and linguistic fragmentation on democracy;

the possible role of cultural tradition and diffusion; the supportive relation of literacy and literacy gains to democracy; the possible impact of economic and especially geopolitical dependency; and the long term, mutually-supportive relationship between democracy and lowering of economic inequality.

This tradition can be contrasted with another tradition: that of comparative historical studies. It derives mainly from the work in the 1960s and 1970s of Karl de Schweinitz, Barrington Moore, Jr., and Guillermo O'Donnell. The studies by de Schweinitz indicate that the development of democracy in the nineteenth century was a function of an unusual configuration of historical circumstances which cannot be repeated. He suggests that the Euro-American road to democracy is closed and that other means must now be devised for building new democratic states.<sup>12</sup>

The study which is considered the most significant contribution to this tradition and the paradigmatic influence which it achieved in the field is that of Barrington Moore. Moore indicates that past conflict and institutional structures have long-term effects and are of critical importance for later developments. Any attempt to explain

---

<sup>12</sup>Karl de Schweinitz, *Industrialization and Democracy: Economic Necessities and Political Possibilities* (New York: Free Press, 1964).

current change without attention to these continuing effects of past history—any presentist analysis—is doomed to failure.<sup>13</sup> In this regard, Moore points out that democracy was more likely to appear in situations in which the social and economic power of the landed aristocracy was in decline relative to that of the bourgeoisie and where labor-repressive agriculture was not the dominant mode of production. When this occurred as a result of the commercialization of agriculture that transformed a traditional peasantry into either a class of small farmers or a rural proletariat, the prognosis for democracy was strong.

O'Donnell's political economy framework has its roots in the orientation of Max Weber and de Schweinitz. He studied the economic and political dependency of late developing countries on the developed core of the capitalist world economy. He looked at the responses of the state and class-based politics to the problems that emerged due to this dependency.

The methodology employed in this research tradition was to study only a small number of cases—countries—at a time. In spite of the fact that the complexity of the elements it takes into consideration is applicable to concrete cases, the study of the historical genesis of the social and political

---

<sup>13</sup>Barrington Moore, *The Social Origins of Dictatorship and Democracy* (Boston, MA: Beacon Press, 1966).

structures of development has come to represent a theoretical construct.

This research tradition demonstrates an analysis of historical processes through theoretical arguments. Those writing in this tradition are skeptical about the possibilities for democracy in developing countries. This tradition observes that there are historical differences dating from the birth of capitalism between developed and developing countries: the development of the state; the differing distribution of power between dominant and subordinate classes; different class alliances; and different transnational and government relations.

The greatest weakness attributed to this research tradition is that it covers very few cases in order to arrive at a definitive result about its theoretical arguments. It has further been suggested that there are no "checks" against the selection of cases arising directly from the theoretical orientation of the author. This is due to the fact that the theories are rarely tested in any meaningful sense, and they are typically derived from facts known in advance.

Nevertheless, the comparative historical tradition of research on democracy appears to offer an appropriate foundation and is unchallenged for constructing a satisfactory theoretical account of the conditions for democracy. This is because it has led to the development of rich theoretical

arguments. The political economy orientation of this tradition has, therefore, proven fruitful in a number of similar areas of inquiry. Further, it has contributed to the development of an explanatory framework for understanding and analyzing the historical sequencing; it provides a useful way of devising genetic causal explanations for conceptualizing the relationship between capitalist development and democracy.

In conclusion, although there has been considerable debate within the social sciences regarding the specific manner in which to define "democracy," the conceptualization of democracy as a principle or a value, has remained relatively constant throughout history. Although as a political system, democracy represents an ideal type which has never been achieved—acknowledgment of which lead Robert Dahl to apply the term *polyarchy*<sup>14</sup> to describe political systems—it is generally accepted that a political order that is characterized by the expansion of the rights of citizenship and the freedom of political representation signifies an imperfect approximation toward which countries can aspire.

Within the field of social science, there have been numerous definitions of democracy applied; each contain particular variables, the presence or absence of which

---

<sup>14</sup>Robert A. Dahl, *Democracy and its Critics* (New Haven, CT: Yale University Press, 1989).

determines the degree to which the political system approaches the ideal. At a minimum, it can be understood that a political system which maintains some sort of organizational method and a means by which leaders can be chosen contains certain characteristics of a democratic system. Other definitions incorporate dimensions such as egalitarianism.

In addition to the difficulties involved with determining how to define democracy in a meaningful sense, the issue of how democracy relates to political regime type has been subject to discussion. Regimes that have been characterized as democratic in the sense that minimal conditions concerning political organization and elections have been satisfied, have been subject to further qualification in terms of the nature and character of the system.

There have emerged various theoretical and methodological traditions to contribute to the understanding of the conditions under which a democratic system is able to become instituted and to develop. Early work in this area was based on quantitative methodology and implied that social and economic development constitute a necessary condition for the emergence of a democratic system. These studies were based upon the premise that the process of democratic development in developing countries would follow the same path as had earlier processes in the advanced industrialized countries. This assumption was challenged by later studies which pointed out

the differences in global economic development between the early stages of world capitalism and those that followed. Later studies also contradicted the assumption that the process of development could follow the same trajectory in all countries, despite internal social, economic, and political differences.

### C. Research Objectives

This research examines the characteristics, the elements, and the dynamic of the collapse of the economic and political system in Peru and the emergence of the model of fiduciary democracy. The study focuses on the specific conditions that resulted in the collapse. Then, the study goes on to examine how these same elements have been reorganized in the building of the new political regime. The study concludes with a characterization of this new political regime of fiduciary democracy.

The research examines the following central hypothesis. The most recent collapse of the Peruvian political system that culminated in the autogolpe of April 5, 1992 and led to the emergence of a new political regime in the country has its origin in: (1) the weakness of the economic organization of the country; (2) the deterioration of the basic institutions of Peruvian society, such as the state, political parties, and

civil society organizations; and (3) the forces impelling the country toward reliance upon the international market through the functions of the economy and the design of the economic policies. The accumulated tensions generated by the interaction of these three elements made the existing political system inviable and intensified the need for change.

In this sense, the breakdown of the political system is part of the same endogenous process that has produced the permanent crisis of the system of production, the increasing gap in the distribution of income, the worsening of poverty, and the increase of violence in the country. These elements are interdependent and mutually reinforcing, and they constitute the dynamic process that has led to the crisis of contemporary Peruvian society.

#### D. Methodology

The nature of International Studies as a multidisciplinary field of study enables the application of theories and tools from disciplines such as economics and political science in order to address the issues under consideration. The theoretical framework and the methodology that are applied in this study are based on two elements. First, they are based on the input-output theory, which provides the tools to examine the principal characteristics of

the economic system in terms of structure, operation, and dynamic. Second, the approach will apply the political theory of polyarchy to explain the political regime.

### 1. Input-Output Theory

In order to analyze the structure of the Peruvian economy and understand how it functions and its main characteristics, which are important components of the concept of fiduciary democracy, the theoretical contribution of input-output theory is used. The basic input-output theory formulated by Leontief<sup>15</sup> is an instrument that enables the disaggregation of macroeconomic flows in order to identify the internal structure of the economy. The principal objective of this analysis is to explain the magnitude of industrial flows in terms of the levels of production of each sector. From the descriptive point of view, the model explains the structural interdependence that exists among the different sectors or economic activities of an economic system. Emphasis is placed on the relations among productive agents, through intermediate

---

<sup>15</sup>See the seminal study by Wassily Leontief published as Harvard University: Harvard Economic Research Project, *Studies in the Structure of the American Economy: Theoretical and Empirical Explorations in Input-Output Analysis* (New York: Oxford University Press, 1953). Based on this contribution and subsequent theoretical elaboration, Leontief was awarded the Nobel Prize in Economics in 1973. See Assar Lindbeck, ed., *Economic Sciences, 1969-1980* (River Edge, NJ: World Scientific Press, 1992).

transactions in the real sector of the economy, and the relations that are established among these productive agents and the users of the final products.

To be theoretically meaningful, the Leontief model makes several assumptions. First, each commodity is supplied by a single industry or sector of production. This implies that only one method is used for producing each group of commodities and that each sector has a single primary output. Second, the inputs purchased by each sector are a function only of the level of outputs of that sector. This implies a linear production function. Third, the total effect of engaging in several types of production is the sum of the separate effects.<sup>16</sup>

The description of the activities of production and the use of conceptual categories of the input-output model coincide with the categories established by the United Nations system of national accounts. This compatibility between the input-output model and the system of national accounts exists not only from a theoretical point of view, but also from a practical perspective: the input-output model operates as a

---

<sup>16</sup>Hollis B. Chenery and Paul G. Clark, *Interindustry Economics* (New York: John Wiley & Sons, Inc., 1959), 33-34.

specific component of the overall descriptive accounting system of the United Nations.<sup>17</sup>

The input-output model can be presented on the basis of three matrices that comprise the model. These matrices are based on levels and criteria of sectoral aggregation of the productive activity of the economy and fundamentally demonstrate the intersectoral transactions. The model is characterized by considering the relations among the different sectors and the relations that exist among the producers and the users of the final products.<sup>18</sup> Appendix A presents the definition of the variables and the solution of the model.

The input-output model is not only an instrument of analysis of the productive structure of the economy, but it is also an instrument for industrial planning and analysis of the economic policies. This dissertation refers to the first aspect of the use of the model, which pertains to the productive structure of the economy. The model enables the definition of the existence of sectoral dependence, which exists when one sector purchases part of its inputs from another sector without the opposite occurring. In addition, it

---

<sup>17</sup>Richard Stone, *Input-Output and National Accounts* (Paris: Organisation for European Economic Co-Operation, 1961).

<sup>18</sup>Wassily Leontief, *Studies in the Structure of the American Economy: Theoretical and Empirical Explorations in Input-Output Analysis* (New York: Oxford University Press, 1953).

enables an understanding of sectoral interdependence, in which both sectors require inputs from each other to complete production. This type of interrelationship enables the measurement of the degree of dependence and interdependence of the sectors that comprise the economic system.

These interactions are explained through the concept of linkages, in which a "backward linkage" represents the purchases of intermediate inputs of a sector of the economy from the same sector, its own sector, or from another sector of the economy. Similarly, the intermediate sales from a sector of the economy to the same sector, its sector, or to other sectors as a proportion of total production are called "forward linkages."<sup>19</sup> Both types of linkage constitute the direct effects, which must be complemented with an analysis of indirect effects based on the study of the coefficient of the inverse of the Leontief Matrix.<sup>20</sup> In this way, sectors are put in order and classified according to the role that they play in the economy. The basic input-output model has been complemented and expanded upon on several occasions, as is the case of the incorporation of the analysis of the structure of

---

<sup>19</sup>The analysis of the linkages is based on the work of Hirschman. See Albert O. Hirschman, *The Strategy of Economic Development* (New Haven, CT: Yale University Press, 1958).

<sup>20</sup>The Leontief Matrix and its inverse are part of the solution of the model and are presented in Appendix A.

consumption, distribution of income, and employment.<sup>21</sup> The incorporation of these variables into the input-output model has enabled the configuration of the social accounting matrix, applied by the World Bank to analyze several economies of the world.

## 2. Polyarchy Theory

The concept of polyarchy developed by Robert Dahl<sup>22</sup> has been applied here to aid in the understanding of the type of system that exists in a country that does not meet the requirements of an "ideal" democracy, but which contains the formal elements of the "ideal." In order to do this, the discussion below reviews the plethora of conceptions of democracy that have been considered for centuries, as well as contemporary academic literature on the subject. The section goes on to discuss political regime typologies that are applied in recent academic literature. The characteristics of the political regime inaugurated by President Alberto Fujimori

---

<sup>21</sup>Based on the work of Weisskoff. See Richard Weisskoff, *Factories and Food Stamps: The Puerto Rico Model of Development* (Baltimore, MD: The Johns Hopkins University Press, 1985). Recent developments in this area on income distribution are displayed in R. M. Sundrum, *Income Distribution in Less Developed Countries* (New York: Routledge, 1992).

<sup>22</sup>Robert A. Dahl, *Polyarchy: Participation and Opposition* (New Haven, CT: Yale University Press, 1971).

in the 1990s does not fit neatly within these typologies. For this reason, fiduciary democracy emerges as a new concept of regime type that is applied to the case of Peru.

a. Toward a Definition of Democracy

Although the idea of democracy has remained almost the same since the initial theories by Herodotus—who identified democracy with equity, the principle of majority rule, and political responsibility—the term has been used to describe different and contradictory states of affairs. Democracy as a principle or value holds a prestigious position throughout the world. Virtually all regimes and political actors claim to understand and aspire to democratic practices. In demonstration of this point, the United Nations Educational, Scientific, and Cultural Organization (UNESCO) said that since the end of World War II, "...for the first time in the history of the world...practical politicians and political theorists agree in stressing the democratic element in the institutions they depend on in the theories they advocate."<sup>23</sup>

Democracy as a political system or a regime type suggests the existence of an ideal that no political system has yet achieved. However, political systems exist that constitute

---

<sup>23</sup>David L. Sills, ed., *International Encyclopedia of the Social Sciences*, vol. 17, (New York: The Macmillan Company & the Free Press, 1963).

~~imperfect approximations~~ of this ideal. Dahl has applied the term *polyarchy* to these institutional arrangements which are commonly referred to as democracies. He defines a system of polyarchy as "...a political order distinguished at the most general level by two broad characteristics: Citizenship is extended to a relatively high proportion of adults, and the rights of citizenship include the opportunity to oppose and vote out the highest officials in the government."<sup>24</sup> A polyarchic political order is distinguished by the existence of institutions such as elected officials, free and fair elections, inclusive suffrage, the right to run for office, freedom of expression, alternative information, and associational autonomy.

Since the majority of scholars apply the term *democracy* to systems that Dahl refers to as *polyarchic*, there is to some degree continuing debate in the academic world surrounding this issue. A spectrum of definitions exists, at the one end of which are those such as the limited Schumpeterian concept—which suggest that democracy implies a political method and a mechanism for choosing leaders—and at the other are concepts that combine insights from the liberal and Marxist traditions—such as those of Held, who says that individuals should be free and equal in the determination of

---

<sup>24</sup>Dahl, *Democracy and its Critics*, 220.

the conditions of their own lives. By this, Held means that individuals should enjoy equal rights and equal obligations according to a political framework that generates and limits the available opportunities. This holds true unless individuals use the framework to negate the rights of others.<sup>25</sup>

The diversity of definitions of democracy that exists displays not merely a semantic problem. Rather, it reflects complexity of the theme. Addressing this complex nature of democracy is the challenge that must be confronted and clarified. Sartori comments on the difficulty involved in working "in a field where it may be considered useful to becloud problems, and definitely not useful to clarify them." He adds that "an important part of politics may be described as the art of confusing political issues."<sup>26</sup>

The definitions of democracy established by Dietrich Rueschemeyer, Evelyne Huber Stephens and John D. Stephens; Larry Diamond, Juan J. Linz, Seymour Martin Lipset; and Terry Lynn Karl form a cohesive body within the political science tradition and for the most part cover the range of elements that are the focus of the contemporary debate. However, they can be distinguished from each other along several dimensions,

---

<sup>25</sup>David Held, *Models of Democracy* (Cambridge, MA: Polity Press, 1987), 271.

<sup>26</sup>Giovanni Sartori, *Democratic Theory* (Bridgeport, CT: Greenwood Press Publishers, 1973), 209.

which are discussed below. Even though they concentrate on roughly similar variables and conditions, there are disagreements among the perspectives that result in different expectations regarding the possibility for democratic development. For example, Lipset suggests that the existence of variables such as political participation, civil and political liberties, and competition do not constitute significant conditions for democracy. Rather, a certain degree of wealth and capitalist development must be considered as a prerequisite for the establishment of democracy. According to this view, a country has to cross a minimum threshold of economic performance before political competition can be institutionalized. Because increased economic growth makes possible high levels of literacy, education, urbanization, and mass media exposure, resources are available to mitigate the tensions produced by political conflict.<sup>27</sup> Other scholars, such as Terry Lynn Karl,<sup>28</sup> disagree with this perspective even though she shares a relatively similar definition of democracy.

According to Rueschemeyer, E. H. Stephens, and J. D. Stephens, democracy is possible only if there exists a significant degree of institutional separation—differentiation

---

<sup>27</sup>Lipset, *Political Man*.

<sup>28</sup>Terry Lynn Karl, "Dilemmas of Democratization in Latin America," *Comparative Politics* (1990).

of the sphere of politics from the overall system of inequality in society. Democracy implies the state's responsibility to the congress, complemented by direct election of the head of the executive through regular free and fair elections, on the freedom of expression and association, and on the extent of suffrage.<sup>29</sup> Democracy takes on a realistic character only if it is based on significant change in the overall distribution of power. It entails the following aspects:

- o regular, free and fair election of representatives with universal and equal suffrage,
- o responsibility of the state apparatus to the elected congress, possibly complemented by direct election of the executive,
- o the freedom of expression and association as well as the protection of individual rights against arbitrary state actions.<sup>30</sup>

Diamond, Linz, and Lipset define democracy as a system of government that meets three essential conditions: (1) meaningful and extensive competition among individuals and organized groups—especially political parties—for all

---

<sup>29</sup>Dietrich Rueschemeyer, Evelyne Huber Stephens, and John D. Stephens, *Capitalist Development and Democracy* (Chicago: University of Chicago Press, 1992), 10.

<sup>30</sup>Ibid.

effective positions of government power, at regular intervals and excluding the use of force; (2) highly inclusive level of political participation in the selection of leaders and policies, at least through regular and fair elections, such that no major social group is excluded; and (3) a level of civil and political liberties—freedom of expression, freedom of the press, freedom to form and join organizations—sufficient to insure the integrity of political competition and participation.<sup>31</sup>

Finally, Terry Lynn Karl defines democracy as a set of institutions that permits the entire adult population as citizens to choose their leading decision makers in competitive, fair, and regularly-scheduled elections. These are to be held within the context of the rule of law, guaranties for political freedom, and limited military prerogatives. In her view, democracy is a political concept that involves the following dimensions:

- o contestation over policy and political competition for office,
- o participation of the citizenry through partisan, associational, and other forms of collective action,

---

<sup>31</sup>Larry Diamond, Juan J. Linz, and Seymour Martin Lipset, eds., *Democracy in Developing Countries*, vol. 4, *Latin America*, (Boulder, CO: Lynne Rienner Publishers, 1989), xvi.

- o accountability of rulers to the ruled through mechanisms of representation and the rule of law.
- o Civilian control over the military.<sup>32</sup>

These definitions are summarized in the following table:

Table 1. Definitions of Democracy: Differences

Authors	Variables				
	A	B	C	D	E
Rueschemeyer, Stephens, and Stephens	elections	responsibility	freedom and individual rights		
Diamond, Linz, and Lipset	political participation		civil and political liberties	competition	
Karl	participation	accountability		contestation	civil control over military

According to this table, it is possible to make several combinations of these variables to classify different regimes. However, slight deviation from the definition may be necessary when identifying a regime as a democracy. In this context, Rueschemeyer, Stephens, and Stephens assert that the essence of democracy is defined by the existence of variables A and B. On the other hand, if participation is limited on variable A, the regime may be liberal but it remains oligarchic. Therefore, it is not a democracy in a meaningful sense. Similarly, if variable B is restricted—meaning that the state

---

<sup>32</sup>Karl, "Dilemmas of Democratization," 2.

apparatus is not ~~responsible~~—the existence of the variables A and C is not sufficient to create a "rule of the people" in any meaningful sense. In sum, Rueschemeyer, Stephens, and Stephens say that the existence of a civil right does not in itself constitute the exercise of democratic power. It is a necessary condition of a stable democracy, and it also represents a limitation of state power without which individual and collective liberty is not secure.<sup>33</sup>

Rueschemeyer, Stephens, and Stephens call the situation a *restricted democracy* when the conditions for variables A, B, or C are met to a large extent, but significant sectors of the population are excluded; the responsiveness of government is significantly reduced; or freedom of expression and association are limited. This case could include the majority of countries of Latin America.

The absence or low profile of the combination of these variables characterize the non-democratic government in the following way: when A and B are near to zero, an authoritarian regime exists; when A, B, and C are very low, a totalitarian regime exists; when A and B are low and C is more or less secure, a constitutional or liberal oligarchy exists.

---

<sup>33</sup>Rueschemeyer, Stephens, and Stephens, *Capitalist Development and Democracy*, 44.

In contrast to the approach taken by Rueschemeyer, Stephens, and Stephens, Diamond, Linz, and Lipset do not consider variable *B*. They consider variable *D*, which is *competition*. In their definition, they imply the existence of semi-democratic regimes. This type of regime is represented by those countries where the effective power of elected officials is limited; political party competition is restricted; the freedom and fairness of elections deviate significantly from popular preference; and/or political and civil liberties are limited. In this category of semi-democratic regimes, countries such as Senegal, Zimbabwe, Malaysia, and Thailand are included.

Diamond, Linz, and Lipset also identify regimes that appear to have a full democratic system but in which opposition parties are legal but denied by electoral manipulation or frequent state coercion dismissing the chance to truly compete for power. These regimes are called *hegemonic party systems* and are best exemplified by the case of Mexico.

Diamond, Linz, and Lipset identify another type of system: the *pseudo-democratic regimes*. In these countries, formal democratic political institutions—such as multi-party electoral competition—exist and serve to mask the reality of authoritarian domination. This type of regime represents a subset of the authoritarian regimes. In comparison with

authoritarian regimes, this type exhibits a low degree of pluralism—typically banning political parties and most forms of political organization and competition—while being more responsive and liberal in the level of civil and political freedom.<sup>34</sup>

Karl's definition applies the variables A, B, and D, which are all used either by Rueschemeyer, Stephens, and Stephens, or by Diamond, Linz, and Lipset. Her definition incorporates an additional variable, E, which is civilian control over the military. The addition of this variable reflects the situation of most of the countries of Latin America in which the military constitutes a key institution and was the main threat to the democratic system in the 1970s.<sup>35</sup>

b. Democracy and Political Regime Typology

Beyond the discussion of the definition of democracy, another concern of social scientists has been the relationship between democracy and political regime type. The discussion of political regime type is facilitated through the use of the theory of polyarchy, which enables an understanding of

---

<sup>34</sup>Diamond, Linz, and Lipset, *Democracy in Developing Countries*, xvii.

<sup>35</sup>Karl, "Dilemmas of Democratization."

different degrees of democracy. In this regard, the dramatic changes to political processes that have occurred in recent decades throughout Latin America have been the object of considerable scrutiny and have generated significant controversy in the academic world.

Discussions related to the identification of political regimes have involved a variety of classifications. Remmer points out, for example, that the Mexican political regime has been described as *revolutionary, non-competitive, authoritarian, corporatist, fascist, democratic, inclusionary, exclusionary, and bureaucratic authoritarian*.<sup>36</sup>

To contribute to the discussion of regime classification, the dichotomy between democracy and dictatorship has assumed different forms. One form is when regimes are classified by the degree to which governments have tolerated political opposition. Regimes on one pole are called *democratic, open, or competitive*; on the other, they are described as *authoritarian, closed, or non-competitive*. In this scheme, the intermediate state would be called *semi-competitive*. Another form is when the regimes are classified by the degree of civilian control over the state. Using these criteria, a regime could be *civilian or military, with transitional*

---

<sup>36</sup>Karen L. Remmer, "Exclusionary Democracy," *Studies in Comparative International Development* 20, no. 4 (1985): 65.

assuming the intermediate position. A variation of these classifications that results from the combination of both has been suggested by Schmitter. He classifies civilian and military regimes as *competitive* and *non-competitive*.

This simple dichotomization in the classification of regimes has been surpassed by works such as those of O'Donnell; Stepan; Ozlak; Remmer; Diamond, Linz, and Lipset; and Rueschemeyer, Stephens, and Stephens. Their works take into consideration the large range of variation between the democratic and authoritarian extremes. According to their works, the following categories have been established.

Table 2. Regime Typologies

Author	Regime				
O'Donnell	Democracy	Delegative Democracy	Authoritarian Populist	Bureaucratic- Authoritarian	Traditional Authoritarian
Stepan	Democracy	Inclusionary Authoritarian		Exclusionary Authoritarian State Corporatism	
Ozlak	Liberal Democracy	Bureaucratic Authoritarian		Patrimonial	
Remmer	Inclusionary Democracy	Exclusionary Democracy	Inclusionary Authoritarianism	Exclusionary Authoritarian	
Diamond, Linz, and Lipset	Democratic	Semi-Democratic	Hegemonic Party System	Authoritarian (Pseudo- democracies)	Totalitarian
Rueschemeyer, Stephens, and Stephens	Democracy	Restricted Democracies	Constitutional or Liberal Oligarchies	Authoritarian	Totalitarian

It is beyond the scope of the present discussion to elaborate on the character of each of these categories.

However, the location of these different regime types along a spectrum provides an analytical perspective for the conceptualization of the type of regime that has emerged in Peru in the 1990s. However, none of the regime types illustrated above fits the case of the Peruvian political regime. For this reason, it is necessary to identify the new political regime, fiduciary democracy, in order to describe the situation that exists in Peru in the 1990s.

The process of transition from one regime type to another along the spectrum entails another set of categories. For example, Baloyra<sup>37</sup> has established a framework for understanding transitions between regime types, using the case of transition from authoritarian to democratic regime. According to Baloyra,<sup>38</sup> the point of departure for an authoritarian-democratic transition is: a capitalist state with a regime of exception maintained by a dictatorial government seeking to contain the society and to control an exclusionary political community.

---

<sup>37</sup>Enrique Baloyra, ed., *Comparing New Democracies* (Boulder, CO: Westview Press, 1987), 9-52.

<sup>38</sup>*Ibid.*, 10.

A democratic transition has the following characteristics:

- o it is a process of political change,
- o it is initiated by the deterioration of an authoritarian regime,
- o it involves intense political conflict among actors competing to implement policies grounded in different conceptions of government, regime, and state,
- o the conflict is resolved by the breakdown of that regime leading to the installation of a government committed to the inauguration of a democratic regime and/or the installation of a popularly elected government committed to the inauguration of a democratic regime.<sup>39</sup>

Baloyra outlines a series of stages in his discussion of democratic transition: deterioration, re-equilibration—in some cases—, breakdown, installation, implementation, and finally, inauguration.

The political theory of polyarchy and the economic input-output theory discussed above are used to examine the situation in Peru that led up to the emergence in the 1990s of a new political regime type with particular characteristics that is referred to as fiduciary democracy. To understand the concept of fiduciary democracy it is necessary to analyze not

---

<sup>39</sup>Ibid.

only the political aspects of the emergence of the new regime type but also the economic elements that interact with the political aspects and explain the emergence and characteristics of the new regime type. This dissertation applies the input-output model to analyze the structure of the Peruvian economy in 1980 and 1990. The examination is conducted for the overall economy, 45 sectors, for two years, which entails the use of more than 4,050 variables. The organization of the economic system and its outcomes explain the behavior of the economic and political actors in terms of their actions in the policy arena. At the same time, polyarchy theory is used to identify the Peruvian political regime of the 1980s and outline the dimensions of the characteristics of the new political regime, fiduciary democracy, that emerged in the 1990s.

### **3. Primary and Secondary Data**

Primary and secondary information was collected in Peru by conducting archival and database research and interviewing at academic institutions, civil society organizations, political organizations, and public institutions. Primary data used in the study was collected from official Peruvian institutions including the *Banco Central de Reserva del Perú*, the *Instituto Nacional de Estadística e Informática*, the

*Jurado Nacional de Elecciones del Perú*, the *Ministerio de Economía y Finanzas*, and other ministries. The research also involved archival research at the *Archivo General de la Nación* and the *Diario Oficial El Peruano*. Additionally, several years of the major Peruvian media publications, such as *Diario El Comercio*, *Diario La República*, *Diario Expreso*, *Revista Caretas*, *Revista Oiga*, and *Revista Sí*, were reviewed.

The content of individual interviews has been incorporated into the text of this dissertation, such as an interview with President Fujimori, and interviews with people from different sectors of the Peruvian society: General PF, who asked that his name not be revealed; Marcelino Condori, member of the Mercedes peasant community in Azángaro, Puno; SCM, an employee of a metallurgical factory in Lima who was affiliated with a labor union; Indalesio Cordero, workers' leader in the sugar sector in Trujillo who was affiliated with the APRA party for 50 years; Marino Ortiz, a member of the APRA party and the national leader of the Colegio Médico del Perú; Saturnino Conza, inhabitant of the Villa María del Triunfo shanty town who migrated to Lima from the highlands; Victoria Mamani, member of the popular kitchen of Villa María del Triunfo, Lima; Pancho Vargas, a public enterprise worker; Marcelino Zapata, an inhabitant of the Huaycán shanty town; Juan Chacón, a member of the community of Ananea, Sandia, in

the highlands; and Pedro Callo, an informal urban seller. Additionally, all of the material accumulated during ten years as Advisor in the Peruvian Congress, a job that entailed active interaction with all the spheres of the economic and political institutions and actors of Peruvian society, has been employed in this study.

Through the application of the theoretical framework discussed above and on the basis of the data collected, the dissertation continues with Chapter II, which discusses the failure of the political system that existed in the 1980s, the emergence of fiduciary democracy in the 1990s, and the prospects for the future of fiduciary democracy in Peru. The chapter addresses how the economic organization of the country underlies its political structure, and how political outcomes are explained through the linkage between economics and politics. It analyzes how, because of the weakness of the economy, fiduciary democracy was able to take hold in Peruvian society. The chapter goes on to describe how the organization of the economy did not provide room for the generation of new employment or the increased standard of living for the people. As a consequence, the citizens were pushed to the point of placing their trust in a fiduciary arrangement with President Alberto Fujimori in the hope that their expectations will be met at some point in the future.

Chapter III focuses on the economic policies that have been applied during the 1980s and 1990s. The economic policies are studied on the basis of the state, which is the architect of the economic policies, the principal economic agents, who participate in the economic policy decision-making process as political actors, and the constraints imposed on the domestic economic policies by the international market. The chapter discusses how each of these three elements have particular characteristics that explain why the political system of the 1980s failed, how fiduciary democracy emerged in the 1990s, and what are its prospects for the future.

Chapter IV presents the characteristics of the Peruvian political organization that existed in the 1980s and gave way to the regime of fiduciary democracy in the 1990s. The discussion relates to understanding how the citizens came to have increasingly less confidence that the electoral process could bring about the necessary conditions to meet their expectations. The chapter discusses how the effects of the broken promises of the traditional political organizations and their leaders created increasing disillusionment on the part of the citizens in the 1980s. It goes on to describe how the state of internal war in the country created a sensation of insecurity and undermined the rights of most of the country's poor population. In addition, the chapter examines how the lack of governmental accountability, principally with regard

to the irresponsible management of the economy and institutional corruption among the public administration, served to negatively influence the legitimacy of the government in the eyes of the citizens. The chapter goes on to analyze how in the context of the decomposition of the political parties and the vacuum created by the insurgent movements, all of these elements led to a shift in the particular characteristics of the government that provoked the rupture of the constitutional system of the 1980s and gave ground to the emergence of fiduciary democracy in the 1990s.

Chapter V analyzes the collapse of the Peruvian political system of the 1980s and outlines the characteristics of the emergence of fiduciary democracy as a new political regime in the country. In this context, the role of the military as an institution and the role of President Fujimori in the *autogolpe* of April 1992 are studied. The internal reaction to this event and that of the international arena are also examined. The chapter analyzes the reshaping of the Peruvian state, which gives substance to the regime of fiduciary democracy. Finally, Chapter VI presents the conclusions of the study and summarizes its principal findings. Support is given for the central hypothesis of the research and substance is provided for understanding the new regime type of fiduciary democracy.

## CHAPTER II: ORGANIZATION OF THE PERUVIAN ECONOMY

The discussion presented in this chapter is a key element for the understanding of the failure of the political system that existed in the 1980s, the emergence of fiduciary democracy, and the prospects for the future of fiduciary democracy in Peru. The economic organization of the country underlies its political structure, and the political outcomes are explained through the linkage between economics and politics. Because of the weakness of the economy, fiduciary democracy was able to take hold in Peruvian society. The organization of the economy did not provide room for the generation of new employment or the increased standard of living for the people. As a consequence, the citizens were pushed to the point of placing their trust in a fiduciary arrangement with President Alberto Fujimori in the hope that their expectations will be met at some point in the future.

This chapter analyzes the organization and functioning of the Peruvian economy in order to determine its strengths and weaknesses in relation to the satisfaction of the collective necessities of the Peruvian society, and to explain why when

the Peruvian economy grows, unemployment increases and the gap in the distribution of income grows. The structures of the productive sector in 1980 and 1990 are compared on the basis of the "technical coefficients," presented for seven sectors of the economy but estimated on the basis of the consolidation of 45 sectors from the input-output table for the Peruvian economy for 1980 and 1990. The structure of the Peruvian economy of the 1990s is studied through the analysis of all 45 sectors of the economy and their intersectoral transactions in order to identify the degree of interdependence that exists among the sectors, and the multiplier effect of each sector in the output of the overall economy is examined. The chapter goes on to present an examination of the generation and distribution of income. Finally, the linkage between the domestic economy and the international market is analyzed.

**A. The Structure of the Peruvian Economy in the 1980s and 1990s**

The simplified structure of the organization of the Peruvian economy presented in Table 3 is, in general terms, similar to countries that have a low level of industrialization, such as Colombia, but different from countries that display a high degree of industrial development. This is illustrated by the ratio of intermediate demand to final demand (ID/FD), which indicates the importance

of intermediate transactions with respect to final demand, in Peru is 0.76. This is similar to the Colombian economy, whose ratio is 0.60.<sup>40</sup> In contrast, Japan, an economy with a higher degree of industrial development, has a ratio of 1.06,<sup>41</sup> which reflects the strength of the economic system. The higher the number of interactions that exist among the different productive entities, the stronger the economic system.

A similar situation exists with respect to the ratio of value-added (VA) to gross domestic output (GDO). Economies such as Peru and Colombia have a ratio around 0.60 on this measurement, whereas economies at a higher level of industrial development, such as Japan, with a ratio of 0.45, exhibit lower ratios. A low ratio signifies that most of the inputs used in the production of the economy are intermediate inputs, which contributes to the strengthening of the domestic productive system. This comparison highlights the basic features and differences between these two types of economies, the former with a low level of industrialization, and the latter with a high level of industrialization.

---

<sup>40</sup>Colombia, Instituto Nacional de Estadística, *Matriz de insumo-producto simplificada, 1980, 1982*. The case of Colombia was used to compare on the single dimension of a low level of industrialization, even though other economies of the region could be closer to the Peruvian case in terms of the success or failure of their economic outcomes.

<sup>41</sup>United Nations, *National Accounts Statics: Study of Input-Output Tables, 1970-80* (New York: United Nations, 1987).

Table 3. Input-Output Table 1979  
(New Soles - at Purchasers' Prices)

	Intermediate Demand			Subtotal	Final Demand	Total
	Primary	Secondary	Tertiary			
Primary	28	669	18	715	621	1336
Secondary	158	1043	395	1596	2491	4087
Tertiary	81	240	516	837	1044	1881
Intermediate Inputs	267	1952	929	3148	4156	7304
Value Added	867	1001	1544	3412		
GDO	1134	2953	2473	6560		

Source: Instituto Nacional de Estadística e Informática (INEI). *Cuentas nacionales: Tablas insumo-producto 1991. 1992.*

Particular characteristics of the macroeconomic variables that represent economic activity, such as the GDP, correspond to the structure that is shown in Table 3. For example, the Peruvian GDP, broken down into sectors, shows almost the same composition over the 15 years under study. The service sector is predominant, followed by the industrial and agricultural sectors. However, the GDP by expenditure shows greater differences in the period under analysis. For example, private consumption increased by 14 percentage points from 1980 to 1995. Government consumption, investment, and exports fell during the same period by 2, 5, and 7 percentage points. This apparent contradiction between the behavior of the GDP by sector and that of the GDP by expenditure illustrates the

necessity to analyze the economy through an understanding of its organization.

Another justification for conducting an analysis that examines the structure of the economy is to understand the differences in the behavior of the macroeconomic variables among different countries. For example, the Peruvian GDP by expenditure contrasts with that of other countries at different levels of industrialization, such as South Korea and the United States. In South Korea, the share of investment is higher than in Peru, and the importance of foreign trade is much larger. In comparison with the United States, there are several differences: first, the proportion of private consumption, investment, and foreign trade in the U.S. GDP are more stable than in Peru; and second, the share of governmental consumption is higher in the United States than in Peru, as is shown in the following table.

Table 4. Peruvian GDP by Expenditure

Variable	Peru		South Korea		United States	
	1980	1995	1980	1995	1980	1995
Private Consumption	58	72	64	53	65	68
Governmental Consumption	10	8	11	10	16	16
Gross Fixed Capital Formation	29	24	32	37	20	17
Exports	19	12	34	33	10	11
Imports	-16	-16	-41	-34	-11	-12
Total	100	100	100	100	100	100

Source: International Monetary Fund (IMF), *International Financial Statistics Yearbook*. Washington, DC: IMF, 1990 and 1996.

The explanation for the differences discussed above lies beyond the simple comparison of the macroeconomic variables, which are merely an outcome of the characteristics of the structure of the economy; it is in the structure of the economies—how they are organized, and how they function—that an explanation is found. Although this study does not attempt to conduct a comparative analysis of productive structures or their evolution, it can be seen that in the case of Peru the structure of the economy has not changed in the past 15 years. This is evident from the analysis of the structure of technical coefficients of the intermediate and primary inputs

of the Peruvian economy, which is presented in Tables 5 and 6.<sup>42</sup>

Table 5. Structure of the Technological Coefficients of Inputs of the Peruvian Economy 1980

Sectors	Agriculture	Fishing	Mining	Manufacturing	Electricity	Construction	Service
Agriculture	0.05	0.00	0.00	0.12	0.00	0.01	0.01
Fishing	0.00	0.00	0.00	0.01	0.00	0.00	0.00
Mining	0.00	0.00	0.00	0.11	0.00	0.03	0.00
Manufacturing	0.18	0.22	0.10	0.37	0.19	0.37	0.17
Electricity	0.00	0.00	0.02	0.02	0.01	0.00	0.01
Construction	0.00	0.00	0.00	0.00	0.02	0.00	0.01
Services	0.02	0.06	0.08	0.05	0.06	0.17	0.21
Intermediate Inputs	0.26	0.29	0.21	0.68	0.28	0.58	0.40
Primary Inputs	0.74	0.71	0.79	0.32	0.72	0.42	0.60
Total	1.00	1.00	1.00	1.00	1.00	1.00	1.00

Source: Constructed on the basis of information in Instituto Nacional de Estadística e Informática (INEI). *Cuentas nacionales: Tablas insumo-producto 1991. 1992.*

As is shown from the structure of the technological coefficients in Table 5, with the exception of the manufacturing and construction sectors, the Production Function of the sectors of the economy shows that they require more primary inputs—which are comprised of wages, profits, and taxes—than intermediate inputs—which are the intermediate production of the other sectors. For example, in the

---

<sup>42</sup>The definition of the technological coefficient of primary and intermediate inputs is provided in Appendix A.

agricultural sector, only 26 percent of its total inputs are intermediate inputs. In contrast, in Japan, which is not even an agricultural country, 46 percent of the total inputs are intermediate inputs. This sectoral disaggregation clearly shows that in Peru primary inputs are the most important in the country's production function.

As can be seen in Table 6, the productive structure of the Peruvian economy in 1990 is nearly identical to that of 1980. This provides evidence that the productive activity of the Peruvian economy has remained the same over the period studied.

Table 6. Structure of the Technological Coefficients of Inputs of the Peruvian Economy 1990

Sectors	Agriculture	Fishing	Mining	Manufacturing	Electricity	Construction	Service
Agriculture	0.04	0.00	0.00	0.17	0.00	0.01	0.01
Fishing	0.00	0.00	0.00	0.02	0.00	0.00	0.00
Mining	0.00	0.00	0.00	0.13	0.00	0.02	0.00
Manufacturing	0.18	0.22	0.11	0.32	0.17	0.38	0.15
Electricity	0.00	0.00	0.03	0.02	0.02	0.00	0.01
Construction	0.00	0.00	0.00	0.00	0.02	0.00	0.00
Services	0.03	0.07	0.09	0.04	0.07	0.20	0.24
Intermediate Inputs	0.26	0.30	0.23	0.70	0.29	0.61	0.41
Primary Inputs	0.74	0.70	0.77	0.30	0.71	0.39	0.59
Total	1.00	1.00	1.00	1.00	1.00	1.00	1.00

As can be appreciated from the comparison of the organization of the Peruvian economy in the 1980s and the 1990s, there has been almost no change, despite the promises of the economic policies applied by the administrations of Fernando Belaúnde and Alan García. Not only did their economic policies not improve the organization of the economy and generate concrete results for the citizens, they made it worse. In addition, with the growth of the population, the necessities of the country also increased. This situation provided the environment under which fiduciary democracy could emerge. However, if the economic organization of the country does not change under fiduciary democracy, it is likely that the political regime will also fail.

#### **B. The Nature of Intersectoral Relations**

The input-output table for the Peruvian economy for the year 1990, valued at 1979 constant prices, is used as a primary source of information to determine the nature of the inter-industrial relations of the Peruvian economy.<sup>43</sup> On the basis of this table, 45 economic sectors are defined (Appendix B) and constitute the basic elements to describe the

---

<sup>43</sup>Based on the latest information published by Peru's official statistical institution: Instituto Nacional de Estadística e Informática (INEI), *Cuentas nacionales: Tablas insumo-producto, 1991, 1992.*

productive structure of the Peruvian economy. In application of the Leontief Model,<sup>44</sup> Matrix [A] of the technical coefficients of intermediate inputs (Appendix C), and Matrix [A\*] of output coefficients<sup>45</sup> (Appendix D) are calculated. Through these matrices, the backward and forward linkages for each sector are calculated to determine the direct effects of the intersectoral relations that are discussed in Section 1 below.

The inverse matrix of the Leontief Matrix, or Matrix [I-A] (Appendix E), and the inverse matrix of the Matrix [I-A\*] (Appendix F), is then calculated to determine the multiplier effect—the indirect effects of the intersectoral relations—that are discussed below in Section 2 on multiplier effects. This analysis will enable the identification of the most dynamic sectors of the Peruvian economy that have the potential to lead the process of economic growth in the country. It will also facilitate the determination of the general characteristics of the Peruvian productive apparatus.

The analysis of the direct and multiplier effects entails the use of the concepts of backward and forward linkages, which are defined as follows:

---

<sup>44</sup>Refer to Appendix A for the definition and solution of the input-output model.

<sup>45</sup>The elements of Matrix [A] are:  $a_{ij} = x_{ij}/X_j$ , and the elements of the Matrix [A\*] are:  $a^*_{ij} = x_{ij}/X_i$ .

A backward linkage is defined as the proportion of intermediate inputs that a given sector of the economy acquires from its own sector or from other sectors to arrive at final production.<sup>46</sup> It represents a relationship that is established among the inputs of a given sector and the production of that sector. For the Peruvian economy as a whole, the average of the backward linkage coefficients is 0.5291. This coefficient indicates a low level of sectoral requirements for intermediate inputs.<sup>47</sup> In Peru, 26 sectors have backward linkage coefficients that are above the average for the economy. On average, these sectors acquire intermediate inputs from only 12 sectors each. In addition, this demand is strongly concentrated in only a few sectors.

---

<sup>46</sup>The backward linkage can be expressed in the following coefficient:

$$L_{bj} = \frac{\sum_{i=1}^n x_{ij}}{X_j} \quad (j = 1, 2, \dots, n)$$

<sup>47</sup>Yotopoulos and Nugent conducted a comparative study of the linkages of six developed and five developing countries determining that in the developing countries the backward and forward linkages coefficients tended to be smaller than the those of the developed economies. See Pan A. Yotopoulos and Jeffrey B. Nugent, "A Balanced Growth Version of the Linkage Hypothesis: A Test," *Quarterly Journal of Economics* 87, no. 2 (1973): 157-71.

For example, the Petroleum Refining sector, which has a coefficient of 0.96, acquires 90 percent of its inputs from the Crude Petroleum Extraction sector. The remaining 10 percent is acquired from only four sectors. Similarly, the Wearing Apparel Manufacturing sector, whose coefficient is 0.65, acquires 83 percent of its inputs from its own sector, and the remaining 17 percent is acquired from five other sectors. In short, these 26 sectors purchase more than 50 percent of their inputs from only one or two sectors. This shows that even the sectors that have a high backward linkage coefficient relative to the standard of the Peruvian economy are not fully articulated with the rest of the economy.

There are 19 sectors whose backward linkage coefficient is below the average for the economy. On average, these sectors acquire inputs from only nine sectors each. As was the case with the sectors of the previous group, the demand for inputs is highly concentrated in a few sectors. Within this group are sectors that have extremely low coefficients, such as the Agriculture, Fishing, and Crude Petroleum Extraction sectors, whose coefficients are 0.22, 0.30, and 0.10, respectively. The high concentration of the demand for inputs in a few sectors is observed in such sectors as the Crude Petroleum Extraction sector, which purchases 60 percent of its inputs from the Services Provided to Enterprises sector. The remaining 40 percent is purchased from within the sector

itself and from the Construction sector. Among the sectors with a higher level of diversification is the Mineral Extraction sector, which acquires its inputs from 15 sectors, even though it has a coefficient of only 0.34.

In sum, it can be affirmed that, on average, the 45 sectors of the Peruvian economy have weak backward linkages. This weakness is demonstrated in the low level of demand for intermediate inputs, where the existing demand is concentrated in only a few sectors.<sup>48</sup>

A forward linkage is defined as the proportion of intermediate production of a given sector that is directed toward its own sector or other sectors of the economy to form part of the total production.<sup>49</sup> Together forward linkages are the proportion that the intermediate demand represents with

---

<sup>48</sup>This conclusion can be visually observed by looking at Matrix [A] in which there are many cells of the matrix that have a value of zero.

<sup>49</sup>It is expressed in the following coefficient:

$$L_{fi} = \frac{\sum_{j=1}^n X_{ij}}{X_i} \quad (i = 1, 2, \dots, n)$$

respect to the final production. In Peru, the average of the sectoral forward linkage coefficient is 0.4586. As in the case of the backward linkages, the coefficient expresses a low level of intermediate transactions. There are 26 sectors of the Peruvian economy with forward linkage coefficients larger than that of the average for the economy. One of the most important sectors from this group is the Basic Chemical Products and Fertilizer Manufacturing sector, which has a coefficient of 0.96. For this sector, 55 percent of intermediate sales is concentrated in the sector itself and in the Agriculture and Textile Manufacturing sectors. The remaining 45 percent is distributed among 18 sectors. Another sector with a high coefficient is the Steel sector, which has a coefficient of 0.95. For the Steel sector, 62 percent of intermediate production is directed toward the sector itself and toward the Construction sector. The remaining 38 percent goes to another 11 sectors. The sector with the most diversification in intermediate sales is the Financial Services sector, which provides service to 30 sectors.

There are 22 sectors with forward linkage coefficients smaller than the average for the economy. Notable among this group are the Fish Preservation, Fish-oil and Fishmeal Production, Wearing Apparel Manufacturing, Footwear Manufacturing, Construction, Wholesale and Retail Trade, Real Estate, Services Provided to Households-Non-merchandise, and

Private Health sectors. All of these sectors make almost no contribution to the formation of intermediate demand, despite that a large portion of their production goes directly to final demand. The Tobacco Products Manufacturing sector, with a coefficient of 0.41, is the sector among the low forward linkage coefficient group that most contributes to the formation of intermediate demand. However, 80 percent of its intermediate sales are concentrated in the Hotels and Restaurants sector. The remaining 20 percent goes to the sector itself and to the Fishing sector.

In sum, the sectors of the Peruvian economy also demonstrate a weakness in their forward linkages that is manifested in a low proportion of the total production that goes to intermediate consumption, a low diversification of intersectoral transactions of intermediate goods, and a high concentration of sales of intermediate good in a few sectors.

#### **1. Direct Effects**

The direct effects measure the degree of sectoral dependence, which is the degree to which a sector depends on another sector without the contrary process necessarily occurring. Systematic analysis of direct effects requires consideration of sectoral relevance and the corresponding identification of the sectors.

The criteria for sectoral organization made by Chenery and Watanabe,<sup>50</sup> which entails calculating the average of the backward linkages and forward linkages of each sector and classifying them into four groups according to how the linkages of the sectors compare with the mean for the economy as a whole, is applied below. This facilitates the grouping of the sectors into the following categories:

- A) Intermediate Primary Production, characterized by low backward and high forward linkages;
- B) Intermediate Manufactures, characterized by high backward and high forward linkages;
- C) Final Manufactures, characterized by high backward and low forward linkages; and
- D) Final Primary Production, characterized by low backward and low forward linkages.

Among this group of sectors, the sectors with the most direct effects and, consequently, with the greatest potential to stimulate economic growth, are the intermediate manufacturing sectors. These sectors have the highest number of linkages as consumers and producers of intermediate goods. From the application of this scheme to the Peruvian economy, it is determined that 11 sectors correspond to the group of

---

<sup>50</sup>Hollis B. Chenery and Tsunehiko Watanabe, "International Comparison of the Structure of Production," *Econometrica* 26, no. 4 (1958): 487-521.

Intermediate Primary Production, 16 to Intermediate Manufactures, 7 to Final Manufactures group, and 11 to the group of Final Primary Production.

In the first group of sectors, which appears in Table 7, are sectors that are typically primary, such as the Agriculture, Fishing, and Crude Petroleum Extraction sectors. These sectors' demand for intermediate inputs is among the lowest of the economy, and their intermediate sales are highly concentrated in a few sectors. In addition, the Services Provided to Enterprises and Electricity and Water Supply sectors, in spite of having low intermediate input requirements, exhibit a large degree of sectoral diversification of their intermediate production because of the nature of the services they provide. Although these sectors have a low degree of direct effects because of their low level of intersectoral integration, they represent 37 percent of the GDP of the country.

Table 7. Intermediate Primary Production

Code	Sector	Linkages	
		Low Backward	High Forward
35	Transport and Communications	0.5210	0.6783
39	Services Provided to Enterprises	0.3807	0.8925
2	Fishing	0.2961	0.5493
32	Electricity and Water Supply	0.2861	0.9176
1	Agriculture	0.2161	0.5666
36	Financial Services	0.2100	0.7400
3	Crude Petroleum Extraction	0.0965	0.8946
Overall Average		0.5291	0.4586

The sectors of the intermediate manufacturing group are displayed in Table 8. These sectors have the largest amount of direct effects on the Peruvian economy, due to their high degree of intersectoral integration. There are 15 sectors that pertain to industrial activities and 1 sector that pertains to service activity. These sectors have the same characteristics of the sectors of the earlier group in the sense that they have a low degree of diversification in intermediate transactions. This low level of diversification serves to diminish the effect of the high backward and forward linkages. For example, the Textile Manufacturing sector, which is the sector in this group that most contributes to GDP with 2.80 percent, purchases 75 percent of its inputs only from the Agriculture sector. A large proportion, 86 percent, of its

intermediate outputs are concentrated in the Textile Manufacturing sector itself and in the Wearing Apparel Manufacturing sector. Together these sectors, which are considered the most important because of their potential to lead economic growth in the country, represent only 9 percent of the Peruvian GDP.

Table 8. Intermediate Manufacturing

Code	Sector	Linkages	
		High Backward	High Forward
22	Petroleum Refining	0.9646	0.5321
9	Sugar Refining	0.7653	0.4835
17	Paper and Paper Products Manufacturing	0.7575	0.8441
14	Leather Manufacturing	0.7573	0.8112
25	Steel	0.7357	0.9498
37	Insurance	0.7179	0.8854
19	Basic Chemical Products and Fertilizer Manufacturing	0.7050	0.9552
30	Transport Equipment Manufacturing	0.6908	0.7784
21	Other Chemical Products Manufacturing	0.6852	0.5604
20	Pharmaceutical Products Manufacturing	0.6767	0.6296
12	Textile Manufacturing	0.6733	0.5789
23	Rubber and Plastic Products Manufacturing	0.6718	0.7626
27	Diverse Metallic Products Manufacturing	0.6593	0.9344
16	Wood and Metal Furniture Manufacturing	0.7123	0.5457
28	Non-electric Machinery Construction	0.5749	0.7046
24	Non-metallic Mineral Products Manufacturing	0.5502	0.8064
Overall Average		0.5291	0.4586

The sectors categorized in the Final Manufactures group in Table 9 are characterized as having a strong demand for intermediate inputs. However, their production of intermediate goods is relatively low. Because of this, they generally produce goods for final use. In Peru, 9 sectors from this group pertain to industrial activity and 1 pertains to the

activity of construction. The most important sector is the Other Food Products Manufacturing sector, which contributes to the formation of GDP with 2.09 percent. This sector has a high demand for inputs, especially from the Agriculture sector, from which 78 percent of its inputs come; the major part of the production of this sector is used in direct consumption. The Fish Preservation, Footwear Manufacturing, Wearing Apparel Manufacturing, Fish-oil and Fishmeal Production, and Construction sectors, despite being largely dependent on intermediate inputs, make almost no contribution to the formation of intermediate demand. Together the sectors of this group represent only 8 percent of the GDP of Peru.

Table 9. Final Manufactures

Code	Sector	Linkages	
		High Backward	Low Forward
10	Other Food Products Manufacturing	0.8116	0.2739
8	Wheat and Bread Production	0.7841	0.2761
5	Dairy Products Manufacturing	0.7407	0.1669
6	Fish Preservation	0.6945	0.0291
15	Footwear Manufacturing	0.6575	0.0358
31	Other Manufactured Products	0.6494	0.2253
29	Electric Machinery Manufacturing	0.6482	0.3634
13	Wearing Apparel Manufacturing	0.6473	0.0359
7	Fish-oil and Fishmeal Production	0.6262	0.0746
33	Construction	0.6057	0.0391
Overall Average		0.5291	0.4586

The group of Final Primary Production shown in Table 10 is formed by sectors that have a low level of articulation<sup>51</sup> with the rest of the sectors of the economy. As a result, they have a limited amount of direct effects. There are 12 sectors that correspond to this group, 3 of which pertain to transportation activities of a low level of sectoral articulation, such as the Transformation of Non-Ferrous Metals sector and the Mineral Extraction sector, which produce

---

<sup>51</sup>The level of articulation refers to the relationship that exists between the sectors of the economy; it is identified through the technical coefficient of intermediate inputs.

fundamentally for export. This last sector should by its nature be located in the Intermediate Primary Production group shown in Table 7, but it is found in the group shown in Table 10 due to the weakness of the Peruvian productive system in which the largest part of production goes to the final demand. The rest of the sectors in this group include activities that provide service in which the most important is the trade sector. These sectors contribute very little to the productive structure of the Peruvian economy because of their low level of direct effects. However, they represent 42 percent of the GDP of the country.

Table 10. Final Primary Production

Code	Sector	Linkages	
		Low Backward	Low Forward
26	Transformation of Non-Ferrous Metals	0.5032	0.2852
40	Hotels and Restaurants	0.4816	0.1413
18	Publishing and Printing	0.4194	0.3363
11	Tobacco Products Manufacturing	0.3931	0.4073
4	Mineral Extraction	0.3437	0.3334
34	Wholesale and Retail Trade	0.3430	0.0000
44	Private Education	0.2524	0.1743
43	Private Health	0.2522	0.0000
41	Services Provided to Households	0.2454	0.2205
45	Governmental Services	0.2390	0.0183
42	Services Provided to Households--Non-merchandise	0.1667	0.0000
38	Real Estate	0.0616	0.0000
Overall Average		0.5291	0.4586

In sum, the direct effects on the sectoral structure of the Peruvian economy are limited due to the predominant disarticulation of intersectoral transactions. This situation is suggested by the fact that the 16 sectors of Intermediate Manufacturing, which are those that have the largest direct effect on the economic structure, only represent 9 percent of GDP; the 19 sectors that comprise the groups of Intermediate Primary Production and Final Primary Production, which have

very low or no effect on the economic structure, represent 79 percent of GDP.

## 2. Multiplier Effect

Intersectoral relations consist of a chain of indirect effects that are caused by the direct effects. These indirect effects are based on the backward linkage coefficients<sup>52</sup> and forward linkage coefficients.<sup>53</sup> For the Peruvian economy, the average of the total backward linkages is 2.1505, and the average of the total forward linkages is 1.7920. The backward and forward linkage coefficients serve to identify the impact that each sector has in the overall economy. Following the concepts embodied in the criteria established by Hirschman for direct effects,<sup>54</sup> the sectors of the economy with relation to their indirect effects can also be classified in the following four groups:

---

<sup>52</sup>The coefficients of the total backward linkages are calculated from the columns of the Matrix  $[I-A]^{-1}$ .

<sup>53</sup>The coefficients of the total forward linkages are calculated from the rows of the matrix  $[I-A^*]^{-1}$ .

<sup>54</sup>The ideas of Hirschman are extensively employed and developed with regard to issues of economic growth, planning, and the allocation of resources. A useful summary is A. P. Thirlwall, *Growth and Development*, 5th ed. (Boulder, CO: Lynne Rienner Publishers).

- A) Basic Sectors, which are sectors with a low degree of total backward linkages and a high level of total forward linkages. These are the sectors that have a strong multiplier effect on the intermediate output of the economy but a weak multiplier effect on intermediate inputs;
- B) Fundamental Sectors, which are sectors with high degrees of total backward and forward linkages. They are the most dynamic sectors of the economy and they comprise the second phase of production. These sectors have a strong multiplier effect on intermediate demand and are the sectors that most strengthen the structure of the economy;
- C) Final Production, which are sectors with a high level of total backward linkages and a low degree of total forward linkages. They contribute fundamentally to the formation of final demand. They have a strong multiplier effect on the demand of inputs, and they make only a minimal contribution to intermediate production; and
- D) Independent Sectors, which are sectors with low levels of total backward and forward linkages. These sectors have a small multiplier effect on the rest of the economy because they produce without large requirements from the other sectors. In their

production functions, the use of primary inputs dominate. They are fundamentally primary export sectors.

There are 6 sectors that fall under the category of Basic Sectors, which appear in Table 11. All of these sectors have a low backward multiplier effect. However, they all have a primary inputs coefficient that is larger than the economy average. Additionally, these sectors are heavily importing sectors. For example, the Agriculture, Crude Petroleum Extraction, Transport and Communications, and Services Provided to Enterprises sectors, together import 20 percent of the total imports of the country. From the point of view of the productive structure, these sectors demonstrate little dynamism, but together they represent 36 percent of the GDP of the country. Among the most important of these sectors are the Agriculture sector, which constitutes 13 percent of GDP, and the Crude Petroleum Extraction sector, which constitutes 5 percent of GDP.

Table 11. Basic Sectors

Code	Sector	Total Effect		Primary Input Coefficient	Share of GDP
		Low Backward	High Forward		
1	Agriculture	1.5719	1.8447	0.7439	12.75
3	Crude Petroleum Extraction	1.2017	2.8110	0.9035	5.29
32	Electricity and Water Supply	1.6173	2.5168	0.7139	1.54
35	Transport and Communications	2.1095	2.0127	0.4790	6.79
36	Financial Services	1.4496	2.3066	0.7923	3.86
39	Services Provided to Enterprises	1.8753	2.4720	0.6193	5.49
Overall Average[Total]		2.1505	1.7920	0.4544	[35.67]

The majority of the sectors of the Peruvian economy are found in the Fundamental Sector group that appears in Table 12. Among them 14 correspond to industrial activity and 1 pertains to the production of services. This group of sectors displays the largest intersectoral dynamism through its strong multiplier effect in the demand and production of intermediate inputs. What is also reflected is that the technical coefficient of primary inputs of each of these sectors is below the national average. Notable in this group are the Petroleum Refining and Textile Manufacturing sectors, which represent 11 percent and 5 percent of the total exports of the country, respectively. In addition to their dynamism, the Transport Equipment Manufacturing, Steel, and Sugar Refining sectors are responsible for 12 percent of the total imports of

the country. This suggests that the dynamism of these sectors has an important base in the imports of the country. Despite the importance of the sectors that are found in this group, together they only account for 8 percent of GDP.

Table 12. Fundamental Sectors

Code	Sector	Total Effect		Primary Input Coefficient	Share of GDP
		High Backward	High Forward		
9	Sugar Refining	2.2873	1.8224	0.2347	0.32
12	Textile Manufacturing	2.5037	1.8551	0.3267	2.08
14	Leather Manufacturing	2.8678	1.9838	0.2427	0.08
17	Paper and Paper Products Manufacturing	2.9290	3.5634	0.2425	0.29
19	Basic Chemical Products and Fertilizer Manufacturing	2.4614	2.9642	0.2950	0.67
20	Pharmaceutical Products Manufacturing	2.6496	2.0582	0.3233	0.37
21	Other Chemical Products Manufacturing	2.6418	1.8472	0.3148	0.74
22	Petroleum Refining	2.2639	1.9783	0.0354	0.24
23	Rubber and Plastic Products Manufacturing	2.5458	2.3775	0.3282	0.39
24	Non-metallic Mineral Products Manufacturing	2.2069	2.0226	0.4498	1.11
25	Steel	2.7599	2.7968	0.2643	0.48
27	Diverse Metallic Products Manufacturing	2.5626	2.3979	0.3407	0.32
28	Non-electric Machinery Construction	0.3633	0.2755	0.4251	0.16
30	Transport Equipment Manufacturing	2.6995	2.7833	0.3092	0.44
37	Insurance	2.7478	3.1847	0.2821	0.21
Overall Average[Total]		2.1507	1.7920	0.4544	[7.9]

The majority of the group of sectors that comprise the Final Production Sectors that are shown in Table 13 pertain to industrial activity, and one corresponds to the construction sector. The most important sectors in this group are the Other Food Products Manufacturing, and Fish-oil and Fishmeal Production sectors, which in addition to their high backward multiplier effect, represent 14 percent and 11 percent of the total exports of the country, respectively. In contrast, the Wheat and Bread Production sector is a strong importer and represents 3 percent of the total imports. The Construction sector, despite having a low forward multiplier effect, represents 6 percent of GDP and has a large impact on intermediate demand. Together the sectors of this group represent only 14 percent of GDP.

Table 13. Final Production Sectors

Code	Sector	Total Effect		Primary Input Coefficient	Share of GDP
		High Backward	Low Forward		
5	Dairy Products Manufacturing	2.5297	1.2027	0.2593	0.27
6	Fish Preservation	2.2955	1.0346	0.3055	0.83
7	Fish-oil and Fishmeal Production	2.2119	1.1060	0.3738	0.37
8	Wheat and Bread Production	2.5032	1.3859	0.2158	0.94
10	Other Food Products Manufacturing	2.4141	1.4219	0.1884	2.09
13	Wearing Apparel Manufacturing	2.6191	1.0531	0.3527	1.19
15	Footwear Manufacturing	2.7295	1.0432	0.3425	0.19
16	Wood and Metal Furniture Manufacturing	2.4430	1.7464	0.3877	1.08
29	Electric Machinery Manufacturing	2.4029	1.6677	0.3518	0.46
31	Other Manufactured Products	2.4327	1.3350	0.3506	0.31
33	Construction	2.3501	1.0697	0.3943	5.78
Overall Average		2.1505	1.7920	0.4544	13.51

The Independent Sectors shown Table 14 have only a slight multiplier effect in the productive structure of the country. These sectors produce goods and services that are directly used in final demand or in exports. Notable among this group are the Fishing and Mineral Extraction sectors, which are typically primary and extractive activities. Production in the Mineral Extraction sector is basically for export, and it represents 17 percent of the total exports of

the country. The Transformation of Non-Ferrous Metals sector is also a sector that, despite being grouped among the industrial activities, has a low multiplier effect, and its production goes basically to exports. The production of this sector accounts for 22 percent of the total exports of the country. On the other hand, the Publishing and Printing sector not only has a low multiplier effect, but it also represents 7 percent of the total imports. There are 8 additional sectors that correspond to service activities that, like the rest of the sectors of the group, have low multiplier effects and a primary input coefficient that is higher than the average for the economy. Even though these sectors contribute only minimally to the stimulation of economic growth, together they represent 42 percent of the GDP.

Table 14. Independent Sectors

Code	Sector	Total Effect		Primary Input Coefficient	Share of GDP
		Low Backward	Low Forward		
2	Fishing	1.6695	1.5884	0.7039	1.27
4	Mineral Extraction	1.7523	1.5190	0.6563	4.50
11	Tobacco Products Manufacturing	1.8076	1.5229	0.6069	1.50
18	Publishing and Printing	2.1245	1.6285	0.5806	0.74
26	Transformation of Non-Ferrous Metals	1.9171	1.5450	0.4968	3.29
34	Wholesale and Retail Trade	1.7184	1.0000	0.6570	1.86
38	Real Estate	1.1327	1.0000	0.9382	3.12
40	Hotels and Restaurants	1.9702	1.2087	0.5184	3.85
41	Services Provided to Households	1.4301	1.3142	0.7546	2.15
42	Services Provided to Households—Non-merchandise	1.3463	1.0000	0.8333	1.01
43	Private Health	1.6012	1.0000	0.7478	0.87
44	Private Education	1.5266	1.3546	0.7476	0.49
45	Governmental Services	1.5278	1.0186	0.7610	6.83
Overall Average[Total]		2.1505	1.7920	0.4544	[42.40]

In sum, on the basis of the analysis of the intersectoral multiplier effects in the Peruvian economy, it is determined that the most dynamic sector is the Paper and Paper Products Manufacturing sector, which has the highest backward and forward multiplier effect, 2.9290 and 3.5634, respectively, and one of the lowest technological coefficients of the primary inputs, 0.2425. However, this

sector makes but a small contribution to the formation of the GDP, 0.29 percent. On the other hand, the sector with the lowest level of dynamism is the Services Provided to Households-Non-merchandise sector.<sup>55</sup> This sector has the lowest backward and forward multiplier effect, 1.3464 and 1.000, respectively, its primary input coefficient, 0.8333, is higher than the economy average, and it makes an individual contribution of 1.01 percent to the formation of GDP. The behavior of these two sectors is repeated in the other sectors of the Peruvian economy. In general, the most dynamic sectors or those with the largest multiplier effect, that can potentially induce rapid economic growth, together represent only 8 percent of GDP; the primary production sectors that have a low multiplier effect, and consequently little impact on economic growth, constitute 78 percent of the GDP of the country. This situation highlights the structural weakness of the Peruvian economy and its limitations for sustainable growth.

---

<sup>55</sup>This does not take into consideration the Real Estate sector, which also appears in this group, because, by convention, a rent is estimated for all the houses in the country, even if they are not rented.

### C. Generation of Income and Its Distribution

To analyze the characteristics of the income of the Peruvian economy, the 45 sectors that are discussed in earlier sections have been consolidated, resulting in the following 7 sectors: agriculture, fishing, mining, manufacturing, electricity and water, construction, and service. The criteria used for this consolidation is that recommended by the National Accounts System of the United Nations.<sup>56</sup> Through this consolidation, the matrix of technical coefficients of primary inputs, or value added, is obtained, for 7 sectors of the economy, as shown in the following table.

Table 15. Technical Coefficients  
of Primary Inputs of the Peruvian Economy

	Agriculture	Fishing	Mining	Manufacturing	Electricity & Water	Construct- ion	Service
Wages & salaries	0.15	0.29	0.09	0.09	0.25	0.13	0.21
Indirect Taxation-Subsidies	0.01	0.03	0.01	0.01	0.05	0.03	0.03
Consumption of Fixed Capital	0.01	0.12	0.04	0.03	0.13	0.02	0.03
Profits	0.57	0.26	0.62	0.16	0.28	0.21	0.32
Value Added	0.74	0.70	0.77	0.30	0.71	0.39	0.59

---

<sup>56</sup>United Nations, Department of International Economic and Social Affairs, *International Standard Industrial Classification of all Economic Activities*. Statistical Papers, series M, no. 4, 3rd rev. (New York: United Nations, 1990).

On the average the aggregate production function of the Peruvian economy displays a high concentration of primary inputs, which confirms the previously-established observation with respect to the weakness of the productive apparatus of the Peruvian economy. The sector with the highest concentration in the use of primary inputs is the agriculture sector. The sector with the smallest concentration is the manufacturing sector. However, there is a large dispersion within this last sector due to activities with a high level of concentration of primary inputs, such as Tobacco Products Manufacturing, whose coefficient is 0.61, and Other Food Products Manufacturing, whose coefficient is 0.19.

The payment to the productive factors for their participation in the process of production is called value added and constitutes the income of the economy.<sup>57</sup> Within the productive factors it is possible to determine the proportion of income that is located in the two major variables of which value added is comprised, which are wages & salaries, and profits.<sup>58</sup> Within this structure in Peru as a whole, wages & salaries represents 28 percent of the income, and profits represent 58 percent. The sectors that demonstrate the

---

<sup>57</sup>This is called gross domestic income.

<sup>58</sup>Under this term is included the income that is received by the owners of capital in the form of, among others, payments of interest, dividends, land rents, and royalties.

largest gap between both variables are the mining and agriculture sectors, in which profits represent 82 percent and 77 percent of the income, and wages & salaries represents 12 percent and 20 percent of the income, respectively. The water and electricity sector shows a more egalitarian structure in which profits represent 39 percent, and wages & salaries, 35 percent of the income.

This distribution of income between variables and within the sector, has more relevance when it is compared with two other variables, such as GDP and Economically Active Population (EAP) as shown in Table 16.

Table 16. Comparison of Macroeconomic Variables

Sector	Share of GDP (%)	Share of EAP (%)	Income Distribution		Income by Unit of EAP (MU by EAP)
			Labor (%)	Capital (%)	
Agriculture	13	33.4	20	77	0.03
Fishing	1	0.6	41	37	0.39
Mining	9	2.4	12	81	0.22
Manufacturing	23	10.5	30	53	0.28
Electricity and Water	2	0.3	35	39	0.81
Construction	6	3.7	33	54	0.23
Service	46	49.9	35	54	0.14

Source: Instituto Nacional de Estadística e Informática del Perú.

One of the most notable characteristics of the Peruvian economy is the importance of the service and agriculture

sector in the generation of GDP, which together represent 59 percent. There is a concentration of the EAP in these sectors, which together comprise 83 percent of the EAP. However, these sectors are of low multiplier effect, and there is a significant gap in the distribution of income between wages & salaries, and profit. As is observed in Table 16, each worker in the agriculture sector receives only 0.03 monetary units,<sup>59</sup> and in the service sector they receive 0.14 monetary units. This situation contrasts with the electricity sector, in which is concentrated only 0.3 percent of the EAP, and the income per worker is 0.81 monetary units. This situation reflects the extended poverty that exists in the agriculture sector and the predominance of informality in the service sector, and it also reflects that the largest part of the EAP of Peru receives low income.

On the other hand, in the manufacturing sector, despite having a more skilled labor force than exists in the other sectors, the income of labor does not represent larger individual income than the country average for labor. This is due to the heterogeneity of the sector and the predominance of economic activities with low multiplier effect. In contrast, the electricity sector registers the largest income

---

<sup>59</sup>Income per unit of EAP is calculated dividing the proportion of gross domestic income that corresponds to labor into the number of workers that comprise the sectoral EAP.

for individual labor. Among other reasons, this is because the enterprises in this sector were owned by the state and, in comparative terms, has had a salary policy that has permitted the largest income to labor in relation to the rest of the economy. This situation describes the income structure of the Peruvian economy in which there is a significant gap between the income received by the labor factor and the capital factor, and a large gap exists among the income of the labor factor within the sectors.

Finally, the organization of the Peruvian economy in the 1990s displays a predominant sectoral disarticulation and only a slight multiplier effect of the economic activities that most contribute to the formation of the GDP. This suggests that the growth of the economy, based on this structure, does not represent movement toward greater industrialization, does not provide employment, and exacerbates the gap in income distribution. Under these conditions, the citizens have reacted against the political system that was unable to transform the economy and alleviate their problems. The population placed their hope in President Alberto Fujimori, not as a politician, but as a technical manager to address the issues that have been the cause of their day-to-day problems. However, if this situation continues in the same manner, the implicit arrangement that

the people have with the President could eventually destabilize the fiduciary political regime.

**D. The International Market as a Key Element of the Functioning of the Peruvian Economy**

The structural weakness of the Peruvian economy is accompanied by a strong reliance on primary exports and imports. This makes the Peruvian economy highly sensitive to international market fluctuations. These characteristics can be appreciated from the Consolidated Input-Output Table, shown below, where the final sectoral demand is larger than the intermediate sectoral demand. This signifies that the largest part of production goes to final use to the detriment of the intersectoral transactions. This characteristic can be appreciated at the level of the overall economy, where the final demand, in relation to the total production, has a coefficient of 0.5007. Among other considerations, this shows the strong impact of imports on the overall economy.

Table 17. Consolidated Input-Output Table  
of the Peruvian Economy 1990 (constant 1979 prices)

Sectors	Agriculture	Fishing	Mining	Manufacturing	Electricity	Construction	Service	Total
Agriculture	25.374	0.154	0.552	385.746	0.004	4.023	14.937	430.806
Fishing	0.000	0.170	0.000	51.161	0.000	0.000	9.530	60.861
Mining	0.936	0.000	1.148	284.463	0.001	7.550	0.247	296.907
Manufacturing	102.076	13.173	44.937	717.222	12.366	184.261	358.546	1460.469
Electricity	0.389	0.000	11.867	36.903	1.463	0.704	19.017	75.681
Construction	0.000	0.000	1.737	3.235	1.676	0.000	11.465	18.267
Services	17.137	4.276	36.831	98.530	4.969	98.840	581.644	851.501
Intermediate Inputs	145.912	17.773	97.072	1577.260	20.479	295.378	995.386	3194.492
Value Added	423.900	42.251	325.439	672.194	51.095	192.290	1459.911	3204.060
GDO	569.812	60.024	422.511	2249.454	71.574	487.668	2455.297	6398.552

Table 17. continued...

Sector	C	I	X	-M	DF	Total
Agriculture	295.037	22.086	12.436	39.618	289.941	720.747
Fishing	49.813	0.000	0.117	0.001	49.929	110.790
Mining	0.010	65.376	142.617	37.653	170.350	467.257
Manufacturing	1109.541	60.677	552.655	388.567	1334.306	2794.775
Electricity and Water	16.888	0.000	0.000	0.000	16.888	92.569
Construction	3.151	445.595	0.000	0.000	448.746	467.013
Service	943.915	10.511	96.508	157.034	893.900	1745.401
Total	2418.355	604.245	804.333	622.873	3204.060	6398.552

The strong reliance of the economy on primary exports and imports can also be observed in the behavior of the sectors of the economy. The Agriculture sector of Peru, which has a low backward multiplier effect, does not satisfy the domestic demand for food. This forces the country to import food in increasing quantities. For example, in 1992 the

imports of food represented 18 percent of the total imports of the country, as shown in the following table.

Table 18. Food Imports

Product	Percentage
Wheat	16.4
Vegetable and Animal Oils	12.8
Corn	10.0
Rice	9.1
Powdered Milk and Milkfat	7.3
Sugar	7.6
Wheat Flour	2.7
Malt	1.9
Condensed Milk	1.9
Other Food Products	30.4
Total	100.0

Source: Instituto Nacional de Estadística e Informática (INEI). *Nuevo año base de las cuentas nacionales del Perú*. July 1995.

The country relies upon the importation of foodstuffs, principally of cereals. This importation is particularly significant in a country that has a pattern of food consumption that does not correspond to its productive potential. For example, Peru imports large quantities of wheat, even though the country has strong potential for the production of maize, quinoa, and kiwicha, which could be

substitutes for the consumption of wheat. Similarly, the Fishing sector, which has a low multiplier effect and represents an activity that is basically extractive, constitutes a small proportion of national production, despite the potential in fishing resources of the Peruvian economy and the demand for food in the country.

The mining sector, which includes petroleum extraction, is a sector whose output is primarily directed toward the exports of products such as copper, zinc, and silver, which together represent 17 percent of the country's exports. Petroleum extraction does not satisfy the national consumption needs and represents 5 percent of national imports. In this sector the gross capital formation is principally constituted by increases in stocks, because in recent years there has been no new investment to enlarge the productive base in mining and oil exploration in Peru.

In the manufacturing sector the activities that most contribute to final consumption are the activities of food production, which constitute 40 percent of final consumption, and clothing manufacturing, which represents 6 percent. In this sector the activities of Transformation of Non-Ferrous Metals and Fish-oil and Fishmeal Production are distinguished because they are predominantly exporters, representing 22 and 11 percent of total exports, respectively. However, despite being in the manufacturing sector, these exports have a low

value-added incorporated, and their production has a low multiplier effect. Additionally, even though Peru has a deficit in the production of food products for domestic consumption, the manufacturing activity of food—for example the export of asparagus—contributes by 14 percent to the exports of the country.

The manufacturing sector is also a predominantly importing sector, with its imports representing 62 percent of the total imports of the country. Within this 62 percent, the most active imports are associated with the Basic Chemical Products and Fertilizer Manufacturing sector, the Petroleum Refining sector, and the Transport Equipment Manufacturing sector, which represent 12, 10, and 6 percent of the total imports of the country. Also significant is the low participation of the manufacturing sector in the gross capital formation. Within the manufacturing sector, the most important activities that contribute to this variable are Electric Machinery Manufacturing and Transport Equipment Manufacturing, which represent 6 and 5 percent of the total of the gross capital formation of the economy. This situation is due to, among other aspects, the process of disinvestment and economic recession experienced in Peru in the decade of the 1980s.

The sector of production and distribution of water and electricity provides services largely in the intermediate

sector of the economy. For this reason, it has a low final demand, which is comprised mainly of private domestic consumption. The construction sector, which has a high backward multiplier effect, is principally directed toward satisfying the needs of the final demand, which represents 96 percent of its production. This sector is important in the Peruvian economy because it constitutes 77 percent of the gross fixed capital formation, and 73 percent of the gross capital formation. This suggests that the construction sector is the only sector that has increased its stock of capital.

The service sector is characterized as a sector in which the final demand represents the largest proportion of total production. It has a low multiplier effect that structures the supply of services based on imports. It represents 25 percent of the total imports of the country, among which the activities Transport and Communications, and Services Provided to Enterprises stand out and contribute with 4.9 and 4.6 percent of the total imports.

The reliance of the Peruvian economy on imports and primary exports is illustrated in the fact that the exports from the mining sector and the manufacturing sector, which are mainly concentrated in exports of products with low value-added incorporated, represent 87 percent of the total exports of the country; the ten major export products represent roughly 65 percent of the total exports. This

structure did not change over the last 15 years, as is shown in the following table.

Table 19. Ten Major Export Products of the Peruvian Economy (1980-95) (%)

Product	1980	1985	1990	1995
Meat and fish meal	5.3	4.5	11.0	16.9
Refined copper	12.2	8.3	13.5	11.7
Gold	-	-	-	7.8
Blister copper	7.5	4.3	5.7	4.9
Zinc ore	4.7	5.6	9.8	4.8
Coffee	4.1	5.0	3.0	4.7
Petroleum products	2.7	14.9	9.5	4.0
Lead ore	8.1	6.8	4.5	3.2
Zinc alloys, unwrought	-	3.7	3.7	3.0
Iron ore	2.5	-	-	2.5
Crude petroleum	16.6	8.6	-	-
Silver	-	4.9	-	-
Cotton	-	-	2.4	-
Jewelry	2.6	-	-	-
Total (as % of overall exports)	66.3	66.6	65.6	63.5

Source: Instituto Nacional de Estadística e Informática (INEI). *Anuario estadístico del Perú 1995*. 1997.

Similarly, the imports cover the deficiencies of the basic sectors of the economy such as the manufacturing and

service sectors, which together represent 87 percent of the total imports of the country. The structure of the imports of Peru shows that most of the imports are inputs for the productive sector, showing the strong linkage of the industry with the foreign sector. However, as is shown in Table 20, despite that in the 1980s the country imported high levels of capital goods and inputs, through the mid-1990s, the imports of direct consumer goods increased substantially. This suggests that importation of capital goods has not had significant effects on the domestic production of direct consumer goods.

Table 20. Structure of Imports  
of the Peruvian Economy (1980-95) (%)

	1980	1985	1990	1995
Consumer Goods	14	11	15	23
Inputs	45	49	51	46
Capital Goods	41	40	34	31
Total	100	100	100	100

Source: Instituto Nacional de Estadística e Informática (INEI). *Anuario estadístico del Perú 1995*. 1997.

Another aspect that shows the weakness of the Peruvian economy is the low level of fixed capital formation. In the case of the Peruvian economy, the fixed capital

formation—which is directed toward increasing the productive base of the economy—is primarily comprised of the construction sector. This is because of the insignificant degree of participation of the manufacturing sector in the production of capital goods. This forces the country to increase its productive capacity, having necessity to rely on imported technology and capital goods.

The reliance of the Peruvian economy on the foreign market is a key element that explains the failure of the political system of the 1980s and the emergence of fiduciary democracy in the 1990s. The increasing reliance of the Peruvian economy on the foreign market, which provides goods, services, and capital, weakens the political power of the domestic economic agents in the political process and forces President Fujimori to ally with foreign capital in order to engage in the management of the economy. The result has been that the government responds more to foreign interests, such as payments on the foreign debt, than to the necessities of the domestic actors, such as wages and public services. This is a key element of the new model of fiduciary democracy, based on a neoliberal economic program, and signifies a loss the country's autonomy in relation to the foreign market.

## E. Conclusions

The purpose of this chapter has been to describe the productive structure of the Peruvian economy in the 1990s through the use of the basic input-output model. From the conclusions yielded by the analysis, the chapter enables a better understanding of how the Peruvian economy operates, as well as of its restrictions. The following conclusions about the orientation of the economy have been reached.

First, the organization of the Peruvian economy in the 1990s can be characterized by a weak structure and its inability to generate sustained levels of growth. The growth of the economy, based on this structure, does not represent movement toward greater industrialization, nor does it generate employment. Similarly, the gaps between wages & salaries and profits, and among the sectors where production and the EAP are concentrated suggest that the growth of the GDP in Peru is not necessarily reflected in increased incomes for labor. The predominance of primary export activities, the structure of internal demand based in imports and the weakness of the gross formation of fixed capital to increase the productive base of the economy illustrate the constraints on the Peruvian economy in the international market.

These characteristics of the economy explain in large part the failure of the political system and the emergence of

fiduciary democracy. This is because the economic system does not provide enough goods and services to meet the needs of the citizens. Success in terms of macroeconomic variables, such as GDP growth, in this kind of economy does not translate into the alleviation of the problems of unemployment and a recessive distribution of income. For this reason, the base of fiduciary democracy is weak and could be undermined when the citizens' trust in the fiduciary arrangement runs out. In the absence of a change in the organization of the economy, the prospects for the future of this new political regime are not favorable.

Second, the organization of the Peruvian economy in the 1990s exhibits a structural weakness due to the low level of interconnections, identified through a low degree of backward and forward linkages, among the sectors. It can be affirmed that on average the 45 sectors of the Peruvian economy have weak backward linkages that are demonstrated by the low level of demand for intermediate inputs and the concentration of the existing demand in only a few sectors. In addition, there is a weakness in the forward linkages that is manifested in the low proportion of the total production that goes to intermediate consumption, in the low level of diversification of the intersectoral transactions of intermediate goods, and in the high concentration of the sales of intermediate goods in a few sectors.

Third, the Peruvian economy of the 1990s is unable to generate a sustained level of GDP growth and create new employment because the sectors that have a significant multiplier effect on the economy, those that have the capacity to lead the growth of the country, contribute only a small percentage to the GDP. In contrast, the sectors with a low multiplier effect represent the largest proportion of the GDP. The 16 sectors that qualify as Intermediate Manufacturing, which are those that have the largest multiplier effect on the economic structure, only represent 8 percent of the country's GDP. The 19 sectors that comprise the groups of Intermediate Primary Production and Final Primary Production, which have very low or no multiplier effect represent 78 percent of GDP.

On the basis of the analysis of the intersectoral multiplier effects, it is determined that the most dynamic sector is the Paper and Paper Products Manufacturing sector. This sector has the highest backward and forward multiplier effect (2.9290 and 3.5634, respectively), and one of the lowest technical coefficients of the primary inputs (0.2425). However, this sector makes but a small contribution to the formation of the GDP (0.29 percent). In contrast, the sector with the lowest level of dynamism is the Services Provided to Households—Non-merchandise sector. This sector has the lowest backward and forward multiplier effect (1.3464 and 1.000,

respectively), its primary input coefficient is higher than the economy average of (0.8333), and it makes an individual contribution of 1.01 percent to the formation of GDP. The behavior of these two sectors is repeated in the other sectors of the Peruvian economy.

Fourth, the growth of the GDP in the Peruvian economy does not necessarily represent an increase in employment and an improved distribution of income due to the structure of the technical primary input coefficients, which shows that the largest proportion of the overall income of the country goes to the factor of capital and the lowest proportion, to the labor factor. Additionally, the economically active population (EAP) is concentrated in the sectors that have the lowest degree of multiplier effects and in which the workers receive the lowest income.

The distribution of income between the capital and labor factors shows a significant gap in favor of the capital factor. The largest difference in incomes of these two factors exists in the mining sector in which wages & salaries represent 12 percent of the income and profits represent 82 percent of the income. Similarly, in terms of income per worker, it has been determined that the workers in the agrarian sector and the service sector receive the lowest incomes in the country. This situation is significant because 83 percent of the EAP is concentrated in these two sectors.

Further, if this structure of the income distribution is maintained, the economy will be unable to satisfy the necessities of the growing population—a situation which could provoke social tensions that could threaten the precarious stability of the Peruvian economic system.

Fifth, the Peruvian economy is constrained by the international market due to its characteristics as a primary-product exporter and the characteristics of the consumption structure, which is based on imported goods. Additionally, the expansion of the productive capacity of the country is based on imported capital goods. This is shown through the fact that the exports of the mining and manufacturing sectors are principally concentrated in exports of primary products, which together represent 87 percent of exports. In addition, the imports cover the deficiencies of the basic sectors of the economy such as the manufacturing and service sectors, which together represent 87 percent of the total imports of the country. Similarly, gross fixed capital formation is extremely weak. It is primarily comprised of the contribution of the construction sector, which represents 77 percent of this variable, which forces the country to constantly import capital goods to maintain and increase their productive capacity.

### CHAPTER III: ECONOMIC POLICY AND ITS ACTORS

While the discussion in the previous chapter provided information regarding the organization of the economy, this chapter focuses on the economic policies that have been applied during the 1980s and 1990s. The economic policies are studied on the basis of three elements: (1) the state, which is the architect of the economic policies; (2) the principal economic agents, who participate in the economic policy decision-making process as political actors; and (3) the constraints imposed on the domestic economic policies by the international market. Each of these three elements have particular characteristics that explain why the political system of the 1980s failed, how fiduciary democracy emerged in the 1990s, and what are its prospects for the future, given that the neoliberal economic policies that are being applied were to some degree applied during the previous failed political regimes.

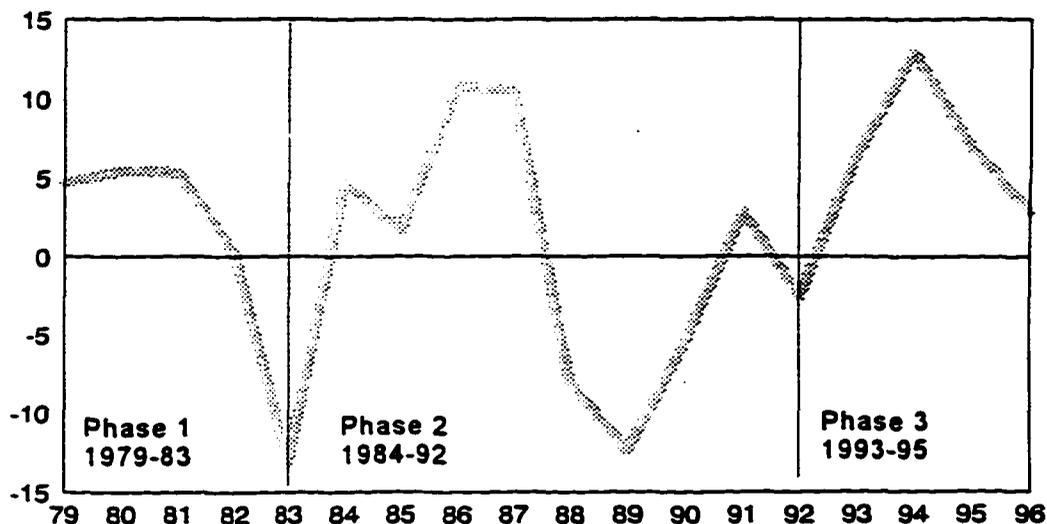
In this chapter the characteristics of the economic policies in Peru are studied through the analysis of the expansive and recessive cycles of the economy since 1979. The

objectives and the policies applied by the different administrations correspond to these economic cycles. The chapter goes on to examine the state in its role as architect of economic policy, facing the most important problems in the country, such as the centralism. The role of the economic agents that function as political actors through the representative organizations is analyzed. Finally, the chapter examines the restrictions that the international market places on Peruvian economic policy.

**A. Peruvian Economic Policies During the 1980s and 1990s**

In the period 1979-95, the Peruvian economy has exhibited an erratic behavior, as is seen in the following figure.

Figure 1. Evolution of GDP Growth 1979-96  
(Annual Percentage Variation)



Source: Instituto Nacional de Estadística e Informática.

As is seen from the preceding figure, the evolution of the economy, expressed through the growth of GDP, reflects expansive and recessive phases. The fluctuations of the GDP over the period 1979-95 have occurred in three phases, each with its own expansive and recessive phase, which have given way to their own particular characteristics of economic policies that correspond to different administrations. As shown in the following table, there are three phases in which economic policy programs alternate from orthodox to heterodox approaches.

Table 21. Economic Cycles  
of the Peruvian Economy (1979-95)

Phase	Result	No. of Years	Average GDP Growth (%)
Phase 1 1979-83	Expansion (1979-81)	3	4.9
	Recession (1982-83)	2	-6.2
Phase 2 1984-92	Expansion (1984-87)	4	6.7
	Recession (1988-92)	5	-5.0
Phase 3 1993-95 <sup>60</sup>	Expansion (1993-95)	3	8.8

Source: Constructed on the basis of information provided in *Los Ciclos Económicos en el Perú (1950-95)*, published by the Instituto Nacional de Estadística e Informática in Lima, May 1996.

*Phase 1:* This period was initiated with the transition from the military government of Francisco Morales Bermudez to the civilian government. At this time, a constituent assembly was elected to formulate a new constitution, and general elections were held in which Fernando Belaúnde Terry was elected for his second term as president of Peru.

The political economy of the final years of the military government was characterized by the application of a short-

---

<sup>60</sup>The expansive phase that began in 1993 continued in 1996, even though the growth of the economy had slowed down. The growth of GDP in 1996 was 2 percent. It is projected that in 1997 the GDP will continue to grow at a similar rate.

term orthodox program of stabilization,<sup>61</sup> the objectives of which were to correct the internal and external imbalances and contain inflation through the reduction of demand and the use of restrictive monetary and fiscal policies. These measures were aided in their goal of reducing the fiscal deficit and the deficit in the balance of payments by the increase of the prices of the principal export products in the international market, which enabled the maintenance of an over-valued exchange rate and an increase in tax collection. When Fernando Belaúnde took power in July 1980, the policies of trade liberalization, tariff reduction, and non-tariff barrier elimination were continued, resulting in a significant increase in imports and a consequent decrease of the trade surplus. However, this policy had to be revised because the price of the country's export products began to decrease in the international market, generating a deficit in the balance of payments, a lower degree of tax collection, and, consequently, a larger fiscal deficit. This led to an increase in the rate of inflation.

---

<sup>61</sup>Rosemary Thorp, *Gestión económica y desarrollo en Perú y Colombia* (Lima: Universidad del Pacífico, Centro de Investigación-CIUP, 1995). See also Rosemary Thorp, "A Long-Run Perspective on Short-Run Stabilisation Experiences in Peru," in *The Peruvian Economy and Structural Adjustment: Past, Present, and Future*, ed. Efraim Gonzales de Olarte (Coral Gables, FL: North-South Center Press, 1996).

In order to curtail these effects and maintain growth, the government of President Belaúnde modified the exchange and pricing policies in 1981. The result was a larger devaluation of the exchange rate and a reduction of the fiscal gap. However, expenditures in defense were maintained because of a potential conflict with Ecuador, expenditures on public works were increased, and service on the foreign debt was maintained. Together, these elements provoked a large fiscal deficit that represented 8 percent of the GDP, resulting in the restriction of domestic credit and a decrease of liquidity of national currency because of a loss of control on the part of the Central Reserve Bank. This situation marked the closing of the expansive period of this phase.<sup>62</sup>

The country entered a period of recession in 1982 that was accompanied by inflation. Also, there was a lack of liquidity of the national currency to cover the obligations of the productive sector. In the foreign sector, the balance of payments deficit increased, primarily due to the increase of imports and to the priority that the government gave to the payment of the foreign debt. In this context, in 1983, in order to renegotiate the foreign debt and attract foreign capital, President Fernando Belaúnde enacted a small change to

---

<sup>62</sup>Javier Iguíñiz, Rosario Basay, and Mónica Rubio, *Los ajustes: Perú, 1975-92* (Lima: Fundación Friedrich Ebert, 1993).

his orthodox economic policy. This measure consisted of increasing tariffs from 34 to 41 percent and establishing several non-tariff barriers. "Mini-devaluations" were continued with regard to the exchange rate. Indirect taxes were levied, principally on gasoline, and indirect subsidies were reduced. Similarly, public investment projects were cut, and real wages in the public sector were decreased. With regard to monetary policy, the interest rates on national currency and on dollars were increased, and short-term domestic credit in national currency was reduced. The application of these measures of economic policy, together with natural phenomena like the economic effects of the marine current *El Niño*, accentuated the country's recession to the point that in 1983 the GDP decreased by 10.9 percent and inflation reached 111 percent.

As discussed above, during this period neoliberal policies were applied that were conceptually the same as the policies that have been applied during the administration of President Alberto Fujimori. However, because these policies did not affect the organization of the economy, they failed to achieve their objectives. In addition, they stirred the initial frustration among the population since the end of the military government regarding the capabilities of the administration of President Fernando Belaúnde. This experience

provides an understanding of the prospects held by the neoliberal economic conception that represents a key element of fiduciary democracy.

*Phase 2:* This second phase was initiated with the expansive process of the economy that coincided with the final year of the government of President Fernando Belaúnde and the first two years of the government of President Alan García. This period, especially 1985, also coincides with the reactivation of the primary-materials export sector. However, this mild recovery of GDP was not accompanied by an increase in employment. In July 1985, Alan García Pérez assumed the presidency. He applied an economic stabilization program under the argument that the cause of inflation was not the fiscal deficit, nor an excess demand, but rather, the orthodox adjustment policies previously instituted. This enabled the design of a program based on the capacity of the industrial sector that was not in use. The program was designed to reactivate the economy by financing growth through the reduction of payments on the foreign debt to 10 percent of exports.<sup>63</sup> Another objective of the program was to reduce inflation by freezing and controlling prices. This short-term

---

<sup>63</sup>Oscar Ugarteche, *La hegemonía en crisis: desafíos para la economía de América Latina* (Lima: Fundación Friedrich Ebert, 1991).

plan, called the heterodox model, intended to stabilize the economy in order to later establish the bases for growth.

The economic plan of Aian García, which lacked long-term vision, implemented economic measures designed to do the following: increase workers' wages; adjust interest rates; provide low interest rates to the agrarian sector; devalue the currency by 12 percent; freeze the exchange rate; give tax incentives to the productive sector; reduce tariffs on public services; and freeze prices on all public and private goods and services.

As a consequence of the economic policy measures of Alan García, the economy experienced a rapid recovery, and inflation decreased. However, the fiscal deficit persisted, and despite the reactivation of the economy, tax revenues did not increase. The monetary policy was restrictive, despite an increase in the GDP.

After two years of this economic program, tensions were beginning to be felt as a result of its application. For example, the exchange rate policy incorporated a complex multiple exchange-rate system that was supposed to support some productive activities, providing preferential exchange rates. In practice, however, this measure provoked a serious distortion in the real exchange rate and encouraged the misuse of the foreign currency on the part of members of the business

sector who had ties to the government.<sup>64</sup> Similarly, the freezing of the exchange rate on imported food hurt the agricultural and industrial sectors. In the industrial sector, the subsidy on imported inputs increased distortions in the industrial prices.

A new recessive phase was begun in the Peruvian economy in 1988. This phase was characterized by a rapid loss of foreign currency, manifested in an imbalance in the balance of payments and affecting the level of international reserves of the country. This loss of international reserves fueled inflation and made the prospects for new investment difficult. The result was a loss of confidence among the economic agents, who stepped up transactions in the parallel market, raising the exchange rate in this market and reducing the real liquidity of the economy.<sup>65</sup>

At the end of 1988, the government of President García radically changed its model of economic policy, incorporating orthodox measures and recognizing that the objective was once again to control inflation through the control of the fiscal deficit. This program set the prices of products close to real

---

<sup>64</sup>For example, this was the case with the businessman Alfredo Zanatti, owner of Fawcett Airlines. He was indicted for the misuse of \$15 million obtained through a preferential exchange rate. Reported in "Calentar la política, enfriar la economía," *Caretas*, 11 May 1995, 10.

<sup>65</sup>Carlos Boloña Behr, *Cambio de rumbo: el programa económico para los 90* (Lima: Gráfica Biblos, 1993).

prices in order to discourage inflationary expectations, avoid further recession, and recover international reserves. In order to achieve these goals, it was decided to devalue the monthly the official exchange rate, to progressively eliminate subsidies, and to raise the interest rate in order to stimulate domestic savings. However, these policies did not control inflation and served to deepen the recession.

In these circumstances, and in the middle of the electoral process of 1990, the government decided to use what little international reserves there were to reactivate the economy. To achieve this goal, the government increased wages to induce the recovery of demand and production. Similarly, the monetary devaluation was slowed down, and the financial deficit was covered with primary emission and by issuing government bonds in the domestic market. These measures, which had a high cost in terms of international reserves, generated an increase in inflation of more than 40 percent in the month of June 1990, and reduced real wages to 40 percent of what they had been in 1985.

When Alberto Fujimori took power in July 1990, the country was in a situation characterized by: recession; hyperinflation; an increased foreign debt; a low level of investment; a dramatic increase in poverty; and a state of subversive violence led by *Sendero Luminoso* and the MRTA. In

this context, in August 1990 President Fujimori applied the most severe adjustment program that had been enacted in recent years. This program was conceived as part of a model prescribed by the International Monetary Fund (IMF) and the World Bank. It included a combination of short-term stabilization policies that emphasized the reduction of demand and medium-term structural adjustment policies with a supply-side emphasis. Under these parameters, the short-term program aimed to reduce inflation through the reduction of the fiscal deficit and the adjustment of relative prices.

The reduction of the fiscal deficit was based in tax reform, the reduction and simplification of taxes, and a reduction in public expenditures, principally through the freezing of the wages of public employees. Other measures applied to reach the goal of reducing the fiscal deficit were: price controls and subsidies on imported food were eliminated; the price of gasoline was increased by 3,000 percent; the prices of public utilities were increased to bring them in line with real costs; the exchange rate was unified; the interest rate was liberalized; and import tariffs were reduced. The application of this program produced an initial economic "shock" that is reflected in the dramatic increase in the rate of inflation, which reached 397 percent in the month of August 1990, and in a 50 percent reduction in the real wages of public-sector workers in only one month. Despite

these drastic measures, the economy continued in recession until 1992.<sup>66</sup>

This second phase represents the culmination of the failure of the erratic economic policies applied during the administrations of Fernando Belaúnde and Alan García. These successive failures provoked disenchantment among the citizens regarding the viability of the traditional political parties and political leaders to manage the economy. Additionally, the chaotic situation of the economy created the necessity among the citizens to place their trust in something different, new, and unknown, that could be in charge of the management of the economy. Within this context, fiduciary democracy emerged with President Fujimori as the "trustee" of the hope of the citizens.

*Phase 3:* Alberto Fujimori initiated the structural reform phase of his economic program in 1992, based principally in the following elements: the reform of the state; the complete liberalization of foreign trade; and the flexibilization of the labor market. These three elements, implemented since 1992, reactivated the economy in the short term, principally due to increased capital inflows from the privatization of

---

<sup>66</sup>Speech of Juan Hurtado Miller, Minister of Economy and Finance, announcing the first economic measures of the government of President Fujimori on 8 August 1992.

public enterprises and increased imports.<sup>67</sup> This inaugurated a new phase in the expansion of the Peruvian economy that has been maintained through the beginning of 1997 under the fiduciary democracy regime. Although these economic policies appear to be successful, they have not yet resulted in increased employment or an improved distribution of income.

The profile of the Peruvian economy during the period under consideration can be summarized in the following manner:

---

<sup>67</sup>Carlos Boloña Behr and Hernán Büchi Bucc, *Estrategas del cambio*, 2nd ed. (Lima: Agenda 2000 Editores, 1991).

Table 22. Peruvian Economic Profile

	1980	1985	1990	1995
Total Population (millions)	17.3	19.5	21.5	23.8
Average Population Growth	2.66	2.39	2.02	1.93
Urban Population (%)	64.6	67.3	69.8	72.2
Average Urban Growth	3.65	3.21	2.75	2.62
GDP Growth (real=1980)	3.8	2.5	-5.6	7.5
GDP Per Capita Growth	1.2	-0.1	-7.4	5.7
Urban Unemployment (%)	17.1	10.1	8.3	8.2
Inflation	59.7	158.3	7649.6	10.4
GDP by Sector				
Agriculture	14	16	16	13
Industry	33	30	32	42
Service	53	54	52	45
GDP by Expenditure				
Private Consumption	58	66	77	72
Government Consumption	10	9	6	8
Gross Fixed Capital Formation	29	10	16	24
Exports	19	23	13	12
Imports	-16	-16	-12	-16

Source: *Instituto Nacional de Estadística e Informática.*

#### B. The State as the Architect of the Economic Policy

A key element of the economic policies discussed above is the state, which is responsible for their design and application. In this sense, the state constitutes the central element of the economic policy-making process. At least in

recent years, the Peruvian state has been perceived by the citizens as a bureaucratic institution whose economic policies have failed and which is unable to guarantee the rights of the citizens or to comply with its functions of maintaining order and public security. This form of state has been characterized, at least for most of the present century, as an oligarchic state.<sup>68</sup> The Peruvian oligarchic state represents a form of organizing rules and laws that responds to the Peruvian economic structure. This state has been characterized as such because its administration is based in networks formed by small groups with family ties among which economic power is concentrated and political power is held, excluding the majority of the citizens. In this state there does not exist a clear demarcation between public and private interests. Political power is used to the benefit of the private interests of particular individuals, groups, and families. However, from time to time, this state, in accordance with its interests, incorporates segments of the population.

The distancing of the state from the society, an element that opened up space for the emergence of fiduciary democracy in the 1990s, has not been a phenomenon that occurred in an isolated manner in the decade of the 1980s. Rather, it has been a gradual process that has escalated over the course of

---

<sup>68</sup>Julio Cotler, *Clases, estado y nación en el Perú* (Lima: Instituto de Estudios Peruanos, 1988).

at least the last 30 years of the evolution of the economic system. Over this time period, the progression of the economic system and the demographic changes taking place in the country required changes in relations between the state and society that the dominant sectors of the state had not anticipated and were not ready to recognize. As a result, the state became increasingly distanced from society and lost its capacity to represent the society. The deterioration of the image of the state in the eyes of the society was accompanied by the poor functioning of the mechanisms that the system had created for its operation. For example, during the first administration of President Fernando Belaúnde Terry (1963-68), the executive branch, controlled by the reformist sectors, confronted the legislative power, controlled by conservative sectors. This conflict obstructed the implementation of urgent changes, such as agrarian reform, and resulted in the breakdown of the political system with the *coup d'état* of October 3, 1968. Another example of this conflict under a different correlation of forces was during the military government, particularly in the first phase, when the administration of General Juan Velasco Alvarado (1968-75) tried to bring the state closer to society by enacting such changes as the agrarian and enterprise reforms, and the creation of the labor community.<sup>69</sup>

---

<sup>69</sup>Ley de reforma agraria, Decreto Ley No. 17716; Ley de creación de comunidad industrial, Decreto Ley No. 18350.

These reforms were supposed to benefit society, but they were unsuccessful in improving the view of the state on the part of certain sectors of society: for example, the labor unions, principally the *Confederación de Trabajadores del Perú* (CTP) and to a lesser degree the *Confederación General de Trabajadores del Perú* (CGTP), adopted a conflictive position with the state; and the business community, who identified with some of the measures, such as the protection of the domestic market through high tariffs, but did not identify with other measures, such as those which directly affected their interests, also questioned the state. In the end, General Juan Velasco Alvarado did not achieve the country's identification with the state, nor did he improve the image of the state. When he was defeated, there were not sectors of the population who supported him. Rather, his defeat met with indifference from the population.<sup>70</sup>

The failure of the economic policies implemented by the military government generated a sense of frustration among the citizens regarding their expectations for the promises of the military government to create a "humanistic" society. This

---

<sup>70</sup>One of the mistakes later recognized by the members of the military who supported Velasco is that the revolution did not create a mass movement, a political party that would defend the state. This was because Velasco did not want to be the leader of a party because he considered himself to be a "leader of the revolution." General PF, who asked that his name not be revealed, interview by author, Lima, January 1995.

frustration was manifested in the general strike of June 1977, the most successful of the decade. The strike forced the military government to convene a Constituent Assembly in 1978, as an instance of representative democracy. This Assembly, which approved the Constitution of 1979, reflected the correlation of political power in which the *Alianza Popular Revolucionaria Americana* (APRA)<sup>71</sup> party represented the major political party in the country, and the left movement, for the first time, constituted one third of the political spectrum and represented a new political force.

The Peruvian Constitution of 1979 represented the citizens' hope that the failure of the military government would be overcome and that civilian rule would represent the solution to their day-to-day problems. As a consequence, the new democratic regime and new Constitution created a large degree of expectation on the part of the citizens. The 1979 Constitution established the frame of reference for the economic policy-making process. It guaranteed the rights of the institutions that were the protagonists of the democratization process, such as the political parties, which the Constitution defines as fundamental instruments for political participation (Article 68), and the labor unions,

---

<sup>71</sup>In the 1930s this party was considered to be on the left of the political spectrum. It had progressively moved toward the center by the 1980s.

which the state recognizes as a legitimate representative of the workers (Article 51). The state was sustained by the balance of power and the autonomy of the executive, legislative, judiciary, and electoral powers. However, this autonomy of the powers was not guaranteed by mechanisms or forms of citizen control. For example, the Constitution established the fundamental rights of the citizen, such as freedom of opinion, of expression, and association. Further, it established the *derecho de insurgencia*<sup>72</sup> to defend the Constitution. However, the state did not implement the mechanisms through which these rights could be guaranteed. In practice, the formal existence of these rights in the Constitution under the new democratic government did not represent a change over the previous state which had failed to guarantee the participation of the citizens in the process of economic policy making.

The Constitution of 1979 did not signify a rupture with traditional policies or a change in the way in which the laws were made. This is confirmed by the fact that after two years of its approval, sectors of the population sought the modification of the new Constitution. This was because the mandates of the new Constitution, in not being implemented, remained formally in writing, but were not practiced. In

---

<sup>72</sup>This is a right that the 1979 Constitution gave to the people to rise up in defense of the constitutional order.

reality the country functioned without consideration to the laws, and the state maintained its traditional means of operation. For these reasons, the results of the new Constitution and its application were a greater distancing of the state from society. The new Constitution did not achieve the demands for social democratization of the majority of the population. The only thing that was achieved was the formality of political elections. Consequently, the citizens soon came to be disenchanted with the new Constitution of 1979 and again became frustrated regarding their hope that the new government would bring about significant improvements in their lives. It was at this point that the citizens' disillusionment with the new political regime inaugurated in the 1980s began.

During the second government of President Fernando Belaúnde Terry (1980-85) there were several examples of the discrediting of the Constitution and the citizens' greater distancing from the state. The citizens became disenchanted with the state for reasons: (1) the way in which the government designed and managed the economic policies of the country; and (2) the way in which the government, particularly in the executive and legislative branches, functioned.

As an example of the first point, President Belaúnde's economic liberalization policy simply signified the opening of the country to foreign trade based on raw materials exports and consumer goods imports for the urban middle and upper

classes. It did not signify the opening of the domestic market to competition. On the contrary, the domestic market was characterized by a monopoly structure. In this context, the dominant groups did not practice the economic liberalism that they proclaimed. The sectors that benefitted from these policies were those that were close to the state, particularly the construction sector, which benefitted from the state expenditures in the housing and infrastructure projects of the President. As Franklin Pease said, "...during the five years of his government, the costs of his economic policies were apparent, especially those that originated from the decrease in exports, the loss of the capacity to generate foreign currency, the strong increase in the foreign debt, an inflationary process that turned the decade of 1980s into an economic tragedy for the country."<sup>73</sup> This situation provoked increased poverty and the rejection of the economic policies of the state on the part of the population. The failure of these neoliberal economic policies implemented by President Fernando Belaúnde opened the way for the citizens to seek an alternative to the economic policies the country was following. This gave ground to the APRA party to present an alternative that embodied the complete opposite approach. The economic policy platform of the APRA party was based in

---

<sup>73</sup>Franklin Pease G. Y., *Breve historia contemporánea del Perú* (Mexico City: Fondo de Cultura Económica, 1995), 261.

heterodox policies that went against the neoliberal program that had not been able to meet the needs of the citizens. Given the failure of the neoliberal model and the increasing poverty in which the country was living, at the time this proposal was viewed by the population as the only economic policy alternative for the country to follow.

With regard to the second point, during his second administration, President Belaúnde had an absolute majority in the Congress. This enabled him to design and implement policies without having to negotiate with the political opposition. This was disturbing not only to the political sectors but also to the general population because of the form in which the laws were passed and the decline in the supervisory capacity of the Congress. It has been suggested, for example, that general budgets presented to the Congress were approved without discussion because the President held a majority in the Congress. In other circumstances, those budget bills would not have passed.<sup>74</sup> In addition, several instances where corruption in the government was denounced were not

---

<sup>74</sup>As stated by Ortiz de Zevallos, the budget laws were "...formuladas entre gallos y medianoche y aprobadas al carpetazo por la mayoría oficialista." Felipe Ortiz de Zevallos M., "Cinco errores para no repetir," *Perú Económico*, August 1985.

investigated; when they were, the perpetrators were almost never sanctioned.<sup>75</sup>

Even though it was a situation of "new" rules, the actions of the administration of President Belaúnde showed to the citizens that the state remained essentially the same as that of the military government. In this way, the government, proclaiming to be constitutional, served to undermine the constitution by not fully addressing its mandate. The mere existence of the new Constitution, without appropriate action on the part of the government, was not sufficient to constitute a new relationship between the state and society. In addition, the state grew more distant from the citizens, which resulted in the citizens' loss of any degree of hope that the government could meet their basic needs.

The citizens' frustration with the failure of the military government, plus their disillusion with the new Constitution and the new civilian government, opened space for the most radical sectors of society to emerge as subversive movements. The objective of these movements, *Sendero Luminoso* and the MRTA, was the complete destruction of the state. The

---

<sup>75</sup>As the reports of the investigatory commissions of the Congress show, severe cases of corruption were detected in institutions such as the *Instituto Peruano de Seguridad Social* (IPSS) in which high functionaries of the government were compromised but never charged. Based on the Final Report of the *Comisión Bicameral Investigadora del Sistema de Seguridad Social* of the Peruvian Congress, June 1985.

most striking element about this situation is that it occurred in an environment of seeming indifference from the state. As said by Simon Strong, "[Abimael] Guzmán had embarked upon the largest revolution since the Rebellion of Manco Inca against the Spanish in 1536 without the state even bothering to lift a finger."<sup>76</sup> By the time that state reacted, thousands of lives and millions of dollars in economic resources had been lost, which served to worsen the social and economic situation of the citizens.<sup>77</sup>

This society's disillusion with the state was accentuated during the government of President Alan García Pérez (1985-90). The failure of the economic policies provoked an economic crisis. The impoverishment of the majority of the population, increased violence, and negligence and corruption at different levels of the state led to a loss of confidence on the part of the citizens. During this government, the APRA party held a majority in the Congress, and the Congress followed the same acquiescent behavior as had the previous Congress under the administration of Belaúnde. For example, through the Constitution the Congress provided the President with "decree

---

<sup>76</sup>Simon Strong, *Sendero Luminoso: El movimiento subversivo más letal del mundo* (Lima: Perú Reporting EIRL, 1992), 33.

<sup>77</sup>The insurgent movements are discussed in Chapter IV below.

power" to pass laws on issues key to the national interest.<sup>78</sup> In practice, the misuse of this mechanism shows the subordination of the Congress to the executive power, and enabled the President to act under his own initiatives without regard for consensus of the political forces represented in the Congress.

The state maintained its populist character to the point that it could not comply with its promises to achieve a "different future," nor could it provide for the growing needs of the population. The state, which was supposed to serve as the engine of development, was also committed to maintain a subsidized exchange rate, tax exemptions, preferential-interest or no-interest loans, high tariffs to protect domestic industry, and to increase public expenditures, particularly in the construction sector. The failure of the economic policies led to the bankruptcy of the state, the collapse of the economy, and the end of the promises of the heterodox economic policies. This situation constituted yet another source of frustration for the citizens, who were again let down by the promises offered by the leader of one of the most important political parties of the country.

---

<sup>78</sup>Senado de la República, *Dictamen de la Comisión de Constitución del Senado delegando facultades extraordinarias al poder ejecutivo, para legislar el materia tributaria*, December 1985.

One element in the initiation of the collapse of the Peruvian political system began was when President Alan García decided to nationalize the banking system in 1987 without even taking into consideration the opinions of the deputies and senators even of his own party. This measure was taken by the President through hastily-conducted procedures, which severely damaged his credibility. He illegally intervened in the affected enterprises and proposed a measure that had the dramatic political effect of dividing the country in two,<sup>79</sup> amplifying the sense of ungovernability in the country, and making increasingly evident a loss of state legitimacy. President Alan García's decision to nationalize the banking system created internal divisions within his political party, and signified the beginning of the collapse of the APRA party and of his administration.

This was the crucial point when Mario Vargas Llosa entered the political arena to challenge Alan García's decision to nationalize the banking system and his economic policies with a neoliberal message. The initial welcome from the citizens for the message of Mario Vargas Llosa was not necessarily due to their acceptance of his ideological message, but because of his personal endorsement as an independent, non-political actor with enough authority to

---

<sup>79</sup>Felipe Ortiz de Zevallos M., "En defensa del sistema democrático," *Perú Económico*, September 1987.

condemn the practices of the state. The support of the citizens for Mario Vargas Llosa later enticed the traditional political parties, *Acción Popular* and the *Partido Popular Cristiano*, to take cover under the ideological umbrella proposed by Vargas Llosa.<sup>80</sup> Although he was originally independent and not affiliated with the traditional political parties, Mario Vargas Llosa later joined with them and became, at least in the view of the citizens, part of the political establishment. However, their initial acceptance of him and his proposals is reflective of their inclination toward independent, non-political actors and their rejection of the old system of traditional politics. This is the space that political outsider Alberto Fujimori would later come to fill as the protagonist of the new regime of fiduciary democracy.

The majority of the citizens were looking for a political outsider because they themselves were "outside" of the "official" country. A large sector of the society that is not incorporated into the "official" country did not possess mechanisms that would permit access to the political decision-making process. Peru exhibits dichotomous characteristics. On

---

<sup>80</sup>For Mario Vargas Llosa's perspective on this period and the approach of the traditional political parties toward his position, see Mario Vargas Llosa, *El pez en el agua: Memorias* (Barcelona: Seix Barral, 1993).

one side is the "official" Peru,<sup>81</sup> which consists of the state institutions, the political parties, the banks and businesses, the labor unions, the universities and armed forces academies, and the Church. On the other side is the "unofficial" Peru which represents a vast diversity of traditions, practices, and languages. On this side are the informal organizations and enterprises, neighborhood associations, and independent workers who practice barter, reciprocity, and subsistence. Those in this unofficial sector are, principally, the members of the indigenous communities of the highlands and the Peruvian Amazon region. In Peru there exist more than 12 native languages and more than 49 ethnic groups and languages.<sup>82</sup> Quechua is the principal indigenous language and is spoken by the majority of the indigenous population.

---

<sup>81</sup>José Matos Mar, *Desborde popular y crisis del estado: el nuevo rostro del Perú en la década de 1980* (Lima: Consejo Nacional de Ciencia y Tecnología-CONCYTEC, 1988).

<sup>82</sup>According to the first census of the indigenous Amazon communities, the principal ethnic groups in the Amazon region are the Ashaninka, the Aguaruna, the Shipibo, the Chayahuita, and the Matsigenka. The main languages are Arawakan, Jibaro, Pano, and Cahuapana. Instituto Nacional de Estadística e Informática (INEI), *Peru: 1 censo de comunidades indígenas de la Amazonía*, 1993.

Table 23. Total Population 5 Years of Age and Over by Native Language

Total	Spanish	Quechua	Aymara	Other Dialects	Foreign/Non-specific
Country (100%)	68	27	3	1.0	1.0
Urban (100%)	81	16	1	0.5	1.5
Rural (100%)	49	43	6	1.5	0.5

Source: Adapted from Centro Latinoamericano de Demografía (CELADE). *Boletín demográfico*, no. 50. Santiago, Chile: CELADE, July 1992.

As shown above, the first language of one third of the population is not the official language of the country. This third of the country represents more than 50 percent of the rural population. Among this population are the Peruvians for whom the state constitutes an entity to which they have only obligations and not rights. The state is, as one inhabitant of a native community in the highlands of Peru has said, "the police of the nearest town and the judge who must be treated well to avoid punishment, from whom nothing good can be expected."<sup>83</sup> According to him, a change in the conduct of the police and the judge, who personify the state for him, has not occurred for at least 20 years.

---

<sup>83</sup>Marcelino Condori, member of the Mercedes peasant community, interview by author, Azángaro, Puno, August 1996.

One of the most important considerations with regard to the incorporation of the "unofficial" social sector of the country has been the failure of the state to resolve the problem of centralism in Peru. As illustrated in the early part of this century by the social philosopher José Carlos Mariátegui, "one of the defects of [the Peruvian] political organization is its centralism...[and the only solution is the]...complete revision and transformation...[of]...the political and economic organization" of the country.<sup>84</sup> One attempt to decentralize the country was the regionalization process, which was initiated in 1980 under the mandate of the 1979 Constitution. The Constitution established that the regions should have economic and administrative autonomy and are competent, within their territory, in the areas of health, housing, infrastructure, agriculture, industry, commerce, energy, and social services.<sup>85</sup> This process soon came to be viewed as inviable. There were many reasons for this, among which is the very conception of the process of regionalization

---

<sup>84</sup>José Carlos Mariátegui, *Seven Interpretive Essays on Peruvian Reality*, 2nd paperback ed., trans. Marjory Urquidi (Austin, TX: University of Texas Press, 1988), 154. This book is a translation of the classic *Siete ensayos de interpretación de la realidad peruana*, originally published in 1928 in Spanish, of Mariátegui, whose writings have had a strong influence on subsequent generations of Peruvian and Latin American social thinkers.

<sup>85</sup>See articles 259-260 of the *Constitución política del Perú* of 1979.

that was implicit in the constitutional mandate from which it originated.

The issue of centralism constitutes a significant point in the understanding of the emergence of fiduciary democracy. The rural population of the country, who have for centuries been abandoned by the state, under the new fiduciary political regime, constitute the base of support for the election of President Fujimori in 1990. In this presidential election, when Alberto Fujimori competed against Mario Vargas Llosa, a well-known cultural figure in the country, he attained the votes proceed to the second round through the support of the rural population. After centuries of feeling abandoned by the state, the rural population found a sense of identification with Alberto Fujimori and deposited their trust in him. In his campaign speech, he made the idea of decentralization an important part of his program.

He targeted this issue because although previous administrations had attempted to decentralize the country, their misguided approaches failed. Previous efforts toward decentralization through regionalization carried out by earlier administrations did not take into consideration the already-existing regional and local institutions. They did not function to redistribute power or serve as a channel of participation for the citizens in exercising their rights. On account of these weaknesses, regionalization could not bring

about the diffusion and distribution of power, nor could it serve as a means of democratization. Additionally, the selection of the geographic areas of the country and the degree of implementation of the process were determinations that were imposed by the central government; they did not represent the expectations of the people living in the areas or include their participation. As a result of the efforts made toward decentralization of earlier administrations, while the people became increasingly more decentralized, the country became more centralized. Financing, services, industry, government administration, and power are all concentrated in the capital.<sup>86</sup> This situation is shown in the following table.

---

<sup>86</sup>One of the conclusions of the seminar "Rebelión Provinciana Descentralista," held in Trujillo on 25 May 1993. Reported in "Historia de luchas y frustraciones," *La República*, 26 May 1993.

Table 24. Regional Profile 1991

Region	GDP as % of Total	Pop. as % of Total	Pop. Growth Rate (%)	Public Invest. (%)	Life Expectancy (yrs.)	Infant Mortality Rate	Illiteracy Rate (%)
Lima y Callao	43	32	2.60	32	73	43	2
Maranon	8	11	2.14	12	64	79	18
Andres Caceres	7	9	2.18	4	61	88	15
Grau	7	7	2.29	10	64	80	11
Loreto	6	3	2.39	2	64	79	8
Arequipa	6	4	2.28	6	70	57	5
La Libertad	6	6	1.87	7	68	61	10
Mariategui	6	6	2.26	11	64	76	17
Liberadores Wari	4	7	1.16	7	59	98	21
Inca	3	7	2.01	3	58	103	24
Chavin	2	5	1.61	3	64	81	19
San Martin	1	2	3.51	3	62	87	10
Ucayali	1	1	2.59	2	62	88	6

Source: Instituto Nacional de Estadística e Informática (INEI), several sources.

Since 1980, the state has not implemented adequate policies to eliminate or decrease centralism. On the contrary, the policies developed by the state have contributed to the perpetuation and consolidation of centralism. The policies have been basically oriented toward such changes as increasing the size of the institutions and changing the location of the administrative bases. These changes do not address the central point of the issue, which is the disparity between the urban

and rural areas in the prices of its production. This disparity perpetuates a situation in which the people in the rural areas, particularly the peasants, small farmers, and small livestock producers, lose purchasing power and become further impoverished to the benefit of some sectors of the urban population. This is because the prices of their agricultural products in the urban markets do not cover the costs their of production.

Through its economic policies the state has continued to maintain the monopsony structure of the domestic market for agricultural products. This structure keeps the peasants and other producers from receiving adequate prices for their products. Such policies as artificially fixing the prices for agricultural products, creating state intermediary networks to replace the intermediary sector, and price controls have failed in their attempts to decentralize and promote adequate income for these sectors. To the contrary, these policies provoked a decline in food production in the agricultural sector, as is shown in Table 25 below.

Table 25. National Food Production

Product	1985 Production (1,000s of metric tons)	1992 Production (1,000s of metric tons)	Variation (%)
Com	216	119	-45
Wheat	133	73	-45
Potato	1663	989	-41
Commeal	651	434	-33
Sugar	6112	4507	-26
Beans	63	41	-35
Rice	1016	828	-19
Coffee	96	85	-11
Milk	816	768	-6
Lamb Meat	20	19	-5

Source: Ministerio de Agricultura, various publications.

The policies of subsidizing imported food products<sup>87</sup> and the institutional mechanisms of concentration of credit have kept the rural sectors from being able to develop attractive mechanisms for re-investment and the strengthening of their own markets. As stated by Manuel Lajo, "...the state subsidies on imported foods are not transferred to the consumer. On the contrary, they increase the profits of the agro-industrial

---

<sup>87</sup>This situation of food production in the Andes has existed throughout the century. See Carlos Monge, "If the People are Sovereign, the People Must be Fed: Agricultural Policies and Conflicts during the Bustamante y Rivero Administration, Peru 1945-1948" (Ph.D. diss., University of Miami, 1993).

sector, increase its market, and displace the Peruvian agricultural producers."<sup>88</sup> The increase of subsidies on imported foods is shown in the following table.

Table 26. Subsidies on Imported Food

Product	Subsidies 1970-90 (Millions \$US)	Imports f.o.b. (Millions \$US)	Subsidy as % of imports
Wheat	953	2245	42
Sugar	180	452	40
Lactose	280	739	38
Soybean Oil	204	540	38
Corn	143	712	20
Rice	97	557	17

Source: Banco Central de Reserva del Perú, *Boletín Mensual*, several issues.

This situation has led to a loss of the stock of capital in the agricultural sector, making the creation of new sources of employment difficult and resulting in increased migration to the urban areas. This condition was exacerbated because the ruling political class during the administrations of Fernando Belaúnde and Alan García did not conceptualize policies to decentralize the country. The national territory was divided into regions. However, the structure of the economy, which is

---

<sup>88</sup>Quoted in "Nos quieren robar la mesa," *La República*, 21 April 1993.

in essence anti-regional, was maintained. In addition, the centralist economic policies were more powerful than the administrative efforts towards decentralization. One example of this is the model of regionalization of the administration of Alan García. This model sought to redistribute administrative capacities and public functions without generating the conditions for regional development. The regionalization concept of Alan García implied that each region should obtain all of the ecological characteristics, from the coast to the jungle, and intended to generate zones of autonomous development, in clear contrast to the need for the articulation of the country.

Despite the efforts of administrations such as that of Alan García to decentralize the country, the situation has become increasingly worse. Alberto Fujimori was able to gain the support of the rural population by focusing on this issue and appealing to the excluded sectors of the society. However, the neoliberal economic policies applied under the fiduciary democracy regime have served to further worsen the situation of the rural areas. This is because the fiduciary regime concentrates power in the executive branch and does not enable to the regional governments to function with a degree of autonomy.

### **C. Economic Agents as Political Actors**

The direct relationship between the state and the citizens that is proclaimed by the political regime of fiduciary democracy implies the weakness of the economic agents as political actors. This situation has been evident in Peru as a part of the process of disarticulation of the labor organizations and the business community, and the increasing informality of the economy. The characteristics of the Peruvian economy have created a pattern of behavior for the economic agents as political actors in their relationship with the Peruvian state. The workers, business persons, and citizens in general participate in the economic policy-making process through its organizations or institutions and constitute political actors. The characteristics of these actors are analyzed in this section.

#### **1. Labor Organizations**

The labor organizations in Peru were traditionally an important institution of representation. However, after reaching a highpoint with the successful strike of June 1977, the labor unions in Peru began to lose presence in national political life and representativity among workers. This was due to the lack of leadership and the economic environment that enlarged the informal sector and provided less space for

the workers to unionize. The weakness of the labor organizations coincides with the predominant neoliberal ideology that discourages union activity and forms part of the new regime of fiduciary democracy.

There was a notable decline in the power of the labor unions during the second government of Fernando Belaúnde Terry and the government of Alan García. This was first of all because the CGTP leadership, of Marxist orientation, took a weaker approach to the labor issues than other Marxist organizations, such as *Sendero Luminoso* and the MRTA. The actions of the latter, in disputing the position of the CGTP as a representative of the workers, had a significant negative impact on the capacity of the CGTP to convoke the workers. The second reason was because sectors of the working base formally affiliated with the CGTP qualified the old leadership of the organization, which had not been administratively or ideologically updated for years, as a "labor aristocracy."<sup>89</sup> The strong attachment of the CGTP with the *Partido Comunista Peruano* (PCP), of pro-Soviet ideology, ended up involving the

---

<sup>89</sup>SCM, an employee of a metallurgical factory, said that despite his affiliation with the CGTP, he qualified the leadership of this organization, headed by Isidoro Gamarra, as bureaucratic and he accused it of following a "revisionist" ideological line. This form of thinking about the labor organization coincided with the thinking of *Sendero Luminoso*. Interview by author, Lima, August 1996.

primary labor organization of Peru in the dilemmas of the crisis of the Marxist ideology of the 1990s.

The second-most important labor organization in Peru, the CTP, of aprista ideological orientation, had the opportunity to put in practice its ideological discourse based in the concept of representativity of the *trabajadores manuales e intelectuales* (blue collar and white collar workers) during the government of Alan García. However, this experience failed, because its labor action was conditioned more by the behavior of the APRA government than by the interests of the workers. This was manifested, among other aspects, in the fact that the Secretary General of the CTP, Luis Negreiros Criado, served as vice president in the government of Alan García.<sup>90</sup> The disenchantment of the workers with the union brought them to either leave the union or to become indifferent to it. The most combative members urged the union leaders to return to the fundamental bases of the APRA ideology.

When Alberto Fujimori assumed the presidency, he found the labor union movement completely debilitated. The labor organizations had weakened to the point that they were not

---

<sup>90</sup>Indalesio Cordero, workers' leader of one base of the CTP in the sugar sector in Trujillo, was affiliated with the APRA party for 50 years. He said that the leadership of the CTP had abandoned the ideas of Haya de la Torre and that the labor bases were hardly ever consulted about the decisions made by the high direction of the CTP. Interview by author, Trujillo, August 1996.

able to convene the working sectors whom they claimed to represent in order to protest against the economic policies of the Fujimori administration. This was despite the fact that the economic adjustment measures that were initiated in August 1990 directly affected them. No labor organization had been able to organize a successful strike to protest the government policies that had put an end to the job stability. This situation was due to the fact that the labor organizations had not been democratic and their actions had been based on decisions made by their bureaucratic leadership.

In addition, the process of economic crisis had in practice reduced the number of workers who had the legal capacity to participate in unions. In Peru the majority of the EAP does not work in the formal unionized sector, but rather is constituted by informal workers, independent workers, or under- and unemployed workers. For example, in Lima, where the most important industrial activity of the country is located, the number of workers who are fully employed, and, consequently, are able to participate in union activity, declined dramatically from 1980 to 1990. This is illustrated in the following table.

Table 27. Evolution of the Levels of Employment in Metropolitan Lima (percentage)

	1980	1985	1990
Full Employment	66.9	54.3	18.6
Under-Employment	26.0	36.8	73.1
Unemployment	7.1	8.9	8.3
Total	100	100	100

Source: Ministerio de Trabajo y Promoción Social.

The message and the discourse of the labor unions were more ideological than practical, and appeared distant from the immediate problems of the people. Among the population are the young, who cannot find work and who do not have prospects for the future, housewives, retired persons, and independent workers. Strikes called by the public health and education sector unions, which used to have the support of the population, now meet with indifference. This isolation of the unions from the population, in a context of social demobilization, indicates that the unions no longer represent the main channel of political participation of the working sector of the country.

This situation has been exacerbated because of the weakness of the organization of the economy, which fails to generate new employment and has resulted in a reduced labor market. It has been further worsened because of the neoliberal

reform program implemented by the Fujimori administration. Under these reforms, the concept of "job stability" has virtually disappeared. Because of this change in the labor laws, and because the union apparatus can no longer defend the workers to protect their working conditions or employment, the workers receive no incentive to participate in the unions. Moreover, they have a disincentive to participate, because participation in the unions, especially in leadership positions, could make them targets for dismissal. This signifies the path for the future of the labor organizations in the environment of the neoliberal economic policies.

## **2. The Business Community**

The gradual weakening of the domestic business sector occurred in tandem with the process of the withdrawal of the state as the promotor of the economy and the increasingly important presence of multinational enterprises in the domestic economy. This situation represents another element that characterizes the fiduciary democracy regime, which is partially based on the alliance of the state with the foreign business sector.

The business sector in Peru has traditionally exhibited risk-averse behavior. This is fundamentally due to the structure of the productive system and the economic policies

---

followed by the governments that conditioned this type of behavior. In this type of economy, there is not sufficient demand to enable the enterprises to generate competitive profits. In the Peruvian economy, it was not the market but rather the state that generated the demand that interested the business community. This is because if the state did not generate this demand, there would not have been motivation to continue to produce. The businesses in Peru could not plan for the long term, and consequently, they were unable to risk capital and innovate production; in order to innovate, they would have to invest much more than it would take to maintain themselves in the market.

The economy itself has been configured in such a way that it generates defensive behavior on the part of the businesses. Additionally, the business sector shows risk-averse and non-competitive behavior. This is shown by the fact that the business-sector profits increased 85 percent from 1980 to 1993. However, private investment during the same period declined by 11 percent. See Table 28 below.

Table 28. Business Sector Profits 1980-93  
(millions of new soles in 1986 constant prices)

	1980	1985	1990	1993
National Income	282	280	265	269
Profits	101	97	133	187
Private Investment	98	70	75	87

Source: Instituto Nacional de Estadística e Informática (INEI), Dirección General de Cuentas Nacionales.

The decline in investment was also due to the fact that economic growth was restricted by the balance of payments. This was shown when the country's economic growth accumulated a significant current account deficit, and in order to reduce the deficit, the government reduced the demand. Consequently, GDP decreased and the balance of payments deficit in the current account declined. Then, in order to make the economy recover and increase the GDP, the state had to stimulate the economy through public expenditures and other mechanisms to stimulate demand. As a consequence, the demand promoted by the state expenditures constituted the central variable of the Peruvian economy.

However, because of the erratic behavior of the demand, the business community could not develop long-term plans. As a consequence of this situation and the behavior of the domestic and international financial sectors, which

principally loaned funds in the short term, the business community had no incentive to invest.

The concentration of economic power that has been generated in Peru over the course of the present century demonstrates specific characteristics during this period in which the business sectors underwent a process of recomposition. During this period, the Peruvian business sector established relations with the state and instituted mechanisms for "capturing" the power of the state in order to design policies or orient them in accordance with their interests and expectations.

The business sector has demonstrated an ability to maintain access to the state in times of crisis. It has been able to organize and act collectively through institutions such as the *Confederación Nacional de Instituciones Empresariales Privadas* (CONFIEP), to determine an innovative way to express and politically defend its collective interests. As Durand argues, the business sector as a political actor from the late 1960s to the early 1990s reveals changing patterns of relations with the state that express complex and variable affiliations.<sup>91</sup>

---

<sup>91</sup>Francisco Durand, *Business and Politics in Peru: The State and the National Bourgeoisie* (Boulder, CO: Westview Press, 1994).

The business sector acts in economic groups not only in the productive sector but also in the financial sector, building a network of interests around the economic activity of the country. There has been a shift in the concentration of economic power over the course of the 1960-90, and in the period 1976-84, there was a strong degree of capital concentration in the country. This is largely a result of the management of the state-owned enterprises by specific economic groups who were able to use the resources of the state for their own development. Eduardo Anaya suggests that it is through the financial system that the base of political-economic power is structured, and that economic power is articulated through a conjuncture of forces at the level of the economy, the society, and the political process.<sup>92</sup>

He points out that during 1986 the 403 businesses dedicated to different economic activities controlled by the five major groups of economic power, which were owned by the 25 families who dominated the domestic market. Between 1970 and 1990, these groups of economic power transferred between \$3.5 billion to \$4.6 billion and invested more than \$30 billion abroad. These investments were in countries that have

---

<sup>92</sup>Eduardo Anaya, *Los grupos de poder económico: Un análisis de la oligarquía financiera* (Lima: Editorial Horizonte, 1990). Eduardo Anaya is a distinguished Peruvian sociologist. Along with Carlos Malpica, he is one of the principal scholars of the issue of the relationship between business and state power in Peru.

tax benefits, such as the Bahamas, the Cayman Islands, and the Netherlands Antilles. The capital from these investments returns to Peru as foreign investment. According to official sources, in the period 1984-94 there was capital flight in the amount of \$10 billion.<sup>93</sup>

The foreign business sector held significance in Peru through the foreign direct investment (FDI). In 1970, FDI was concentrated in the oil and mining sectors and in some industrial activities, such as automobile assembly and the pharmaceutical industry. Despite that the military government adopted a policy of nationalizing of foreign enterprises, there was a re-accommodation in the presence of the FDI. The second administration of Fernando Belaúnde offered incentives to attract FDI. Despite these incentives, FDI decreased. The foreign business sector, despite legal restrictions that existed during the government of Alan García, continued to transfer economic profits abroad through such mechanisms as royalties and depreciation. As suggested by Malpica, foreign capital also has control over the economy and has influence over the state on the key issues.<sup>94</sup>

The presence of foreign capital and its influence in Peru has followed trends within the international economy. The

---

<sup>93</sup>Official new daily *El Peruano*, 24 February 1994.

<sup>94</sup>Carlos Malpica, *El poder económico en el Perú*, 3 vols., (Lima: Mosca Azul Editores, 1989).

long-term tendencies in Peruvian economic history show distinct phases in the Peruvian economy in which there has been a varied presence of foreign capital. One of the forms in which foreign capital was present was through direct investment in primary materials for export, which determined long-term export cycles. As discussed by Rosemary Thorp and Geoffrey Bertram discuss these long-term tendencies: the period known as the "era of guano,"<sup>95</sup> which was initiated in the decade of the 1830s and concluded in the early 1880s; the period that began with the post-war reconstruction and continued through the decade of the 1930s; and the period that began at the end of the Great Depression that continued through the debt crisis of the 1980s.<sup>96</sup> Since the beginning of the 1990s, there was a new wave of foreign direct investment, principally due to the selling of state-run enterprises to the international private sector, which is referred to as privatization. In this last period, the Peruvian business community has formed alliances with the international business

---

<sup>95</sup>In the last century and part of the current century, the Peruvian economy was based on certain raw materials. Guano is a natural fertilizer produced by birds, generally on the islands off the Peruvian coast. This product was principally exported to England.

<sup>96</sup>Rosemary Thorp and Geoffrey Bertram, *Perú, 1890-1977: Crecimiento y políticas en una economía abierta*, 2nd ed. in Spanish (Lima: Mosca Azul Editores, 1988).

community; when this has not been possible, the Peruvian business community has become subordinated to them.

### 3. The Informal Sector

The increase of urban population and the decline of the industrial sector in its capacity to create jobs in the decade of the 1970s coincided with the growth of the urban neighborhood movements, such as shanty town movements, which were multi-class in character. These organizations underwent changes when they obtained what they had organized to achieve, such as the basic infrastructure of roads, electricity, and potable water, within their geographic areas, and when they started to identify new necessities. These organizations transformed themselves to achieve new goals, which were daily necessities, such as food and employment, because of the economic crisis. The effects of the economic crisis, and the consequent exclusion of the poor sectors of society from the legal system, resulted in the transformation of the neighborhood organizations into another type of organization. This type of organization was designed to fight directly against poverty and its related problems in the urban areas. These organizations developed collective strategies to fight against the condition of poverty, in contradiction to the

neoliberal ideology of the state that imposes individualism as a solution to the issues addressed by the citizens.

The initiative for these organizations often came from women's groups, such as the popular kitchens (*comedores populares*), the mothers' clubs (*clubs de madres*), and glass of milk groups (*comités del vaso de leche*). The increased strength of these organizations came to bring the individual problem of the satisfaction of basic needs to the level of the search for collective solutions.<sup>97</sup> This enabled the pursuit of collective solutions to move beyond the quest for day-to-day sustenance to the search for the creation of new employment, based in the development of productive, associative, and independent activities. This has led to their becoming entrepreneurial.<sup>98</sup> Among the significant reasons for the emergence of the informal sector are the reduction in the size of the formal sector, as discussed above, and the contracting

---

<sup>97</sup>For a discussion of the popular-sector responses to the crisis, see Steve Stein and Carlos Monge, *La crisis del Estado patrimonial en el Perú* (Lima: Instituto de Estudios Peruanos-IEP and the University of Miami, 1988).

<sup>98</sup>Saturnino Conza, a dweller of the Villa María del Triunfo shanty town, came to Lima from the highlands of Apurímac in the decade of the 1970s. In the time since his migration, with his family of a wife and three children, he has worked formally in the construction sector for only two years. The rest of the time he has provided services to the same sector as an independent worker in his small workshop. He represents an example of the entrepreneurial nature of the informal sector. Interview by author, Lima, July 1996.

of informal workers by formal-sector enterprises as a channel of distribution for their products.

In this way, in the neighborhoods, in the small local markets (*paraditas*), and in the independent workshops (*pequeños talleres*), the workers laid off from the factories, the peasants who migrated to the urban areas, certain professionals and technicians who were unable to find work in their fields, and other sectors of society unable to locate employment developed their initiatives based on a work ethic of solidarity and their sense of innovation and risk.

Table 29. Projections of the GDP of the Informal Sector to 2000 and Index of Informality (Millions of 1973 *intis*)

	GDP (informal)	GDP (formal)	GDPi/GDPf x 100
1970	113.93	352.60	32.30
1980	165.28	483.85	34.20
1985	246.11	547.47	45.00
1990	317.05	636.15	49.80
1995	408.43	739.19	55.30
2000	526.16	858.91	61.30

Source: Instituto Nacional de Estadística e Informática (INEI). *Perú: Estadísticas del sector informal*. August 1992.

The informal sector is constituted by individual producers and small businesses that achieved their own

economic position within the context of modernization associated with industrialization and import substitution. This sector developed as a response to the conflicts between the economy, the predominant culture, the political institutions, and the state itself.<sup>99</sup> This sector has taken on its own behavior and expanded the economy and trade. In this manner, it has transformed the country, making possible the ascendance of a new political actor, whose project is different from the oligarchic modernity that existed in the past, and is different from the neoliberal modernity. The informal sector developed in the context of the crisis of the state and of the economy associated with a plan of oligarchic modernization. However, without the recognition of the state its project will not move beyond a strategy of survival for the population on the margins of the "official" country to become viable.

The informal sector exhibits its own dynamic based in cultural pragmatism and its own socio-cultural strategy. Through its manner of functioning, it calls into question the established economic and social order. The informal sector combines the individual, family, and private interests in a

---

<sup>99</sup>Hernando De Soto, *El otro sendero: la revolución informal* (Bogotá, Colombia: Editorial Oveja Negra, 1987).

pragmatic way with associative and collective interests.<sup>100</sup> The daily practices of this sector require them to engage in bargaining, negotiation, agreements, and active participation within the informal sector. This behavior enables the actors of this sector to function in a democratic manner. Its tacit rejection of the political system and the state and its consequent demand for state reform are a result of the understanding that the state does not respond to the interests of this sector. Its productive, competitive, and innovative orientation is the basis of its development. However, the potential of this sector for the democratic system will not develop beyond the micro level if it is not recognized as a political actor and integrated into the political decision-making process of the country.

As a response to the crisis of the economic and political system of Peru, the process of collective rationality has resulted in a certain degree of autonomy and expression for the citizens. This leaves an increasingly smaller space for the clientelism of the state and the political parties, whose message becomes less valuable and who command less loyalty from the population.<sup>101</sup>

---

<sup>100</sup>Diego Irarrázaval, *Tradición y porvenir andino* (Puno, Peru: Instituto de Estudios Aymaras-IDEA, 1992).

<sup>101</sup>The political parties initially tried to co-opt them, and subsequently the administration of President Fujimori tried to segment them to avoid their politicization. An

As a consequence, the relationship and perception of the individuals of the popular sectors has changed with respect to the political system and its actors, the state and its institutions, and society as a whole. This is to say that this sector has its own political dimension. This political dimension has its own structure that is expressed through the attitudes, perceptions, values, and courses of social action of the popular sectors. However, because these organizations arose out of the condition of poverty and are still located on the margins of society, they are not strong enough as a political actor to successfully bargain with the state and other well-established actors.

#### **D. The Restrictions Set by the International Market**

When the military government left power in 1980, it also signified the end of the final stage of modernization through import-substitution industrialization. The nature of this model enabled the new investment to create a greater capacity

---

example of this was in 1996 when Alberto Andrade, Mayor of Lima, appointed Alfonso Barrantes Lingán, a leader of the left, to be the coordinator of the Municipality of Lima in their interaction with the *Comités del Vaso de Leche*. This action represented a move to politicize and co-opt what originated as a true base-level organization to the political orientation of the Fujimori administration's opposition. The government response was to give power to the local municipalities to coordinate directly with the *Comités del Vaso de Leche*, avoiding the necessity to coordinate centrally with the Municipality of Lima.

to import, and, thus, to transfer the country's income to the foreign sector, principally by importing capital goods and intermediate goods. This situation led to the consolidation of a structure through which domestic demand came to depend on the policies of the state, principally through the expenditures of the public budget, which, instead of generating productive capacity, resulted in fiscal deficit.

The nature of the model of industrialization followed by the military government represented a point of continuity with the oligarchic nature of the Peruvian state and its authoritarian orientation toward society. It increased the "dis-integrated" development of the domestic market and maintained the same structure of foreign trade. As Thorp and Bertram have said, "the distribution of income and the other benefits of the reforms principally benefitted the upper sector of the population. No new source of economic dynamism emerged to replace the traditional dependency with respect to the income from exports and the increase in the size of the public sector."<sup>102</sup>

As was shown in the previous chapter, the economy of the 1980s and 1990s evidences a high level of "dis-integration" which, as a consequence, was unable to provide quantitative or qualitative change in the production of the country. The

---

<sup>102</sup>Thorp and Bertram, *Perú, 1890-1977*, 484.

productive apparatus could not bring about a change in the levels of production. This was because the links to the economic activity of the sectors that produce capital goods were not located within the domestic input-output system, but rather, in the flows of foreign trade. As a result, the economy lacked a domestic sector that produced capital goods, intermediate products, and technology that would guarantee the growth of the domestic market and a positive impact on GDP growth and the generation of employment.

In this context, investment in large part served to export the country's domestic demand to the international market. For this reason, any effort to stimulate the economy through the reactivation of the domestic demand generated imbalances in the public budget and in the balance of payments. Under these limited market characteristics, the agents of the domestic market could not compete with each other. This situation forced the business community to seek to gain space in the state in order to secure its position. For this reason, in the absence of state intervention through public expenditures, the rate of profit for the business community could not be maintained. This type of rationality continued throughout the second administration of President Fernando Belaúnde. This government, as stated by Boloña, "kept all of the inefficient aspects of the State apparatus, did not make significant efforts to rationalize the public

administration, and did not it eliminate excessive state regulations on private activity. State intervention continued...in almost all aspects of the productive and commercial activity. In the financial aspect, government decision-making power increased."<sup>103</sup>

The tendency for government management and economic policy to mismanage the resources of the state increased during the government of Alan García because the economic policy "encouraged corruption...just a few people took advantage of this; but by the end of the administration there were more Peruvians working longer hours making less money...in the end, the country was broken."<sup>104</sup> The improvisation in the design of economic policies and the lack of control in their application resulted in the perception on the part of the population that in the government of Alan García there was no one in charge.

The political economy conformed to a cycle through which the government stimulated the economy through public expenditures. This increased the deficit in the foreign trade balance and generated a deficit in the public budget. This cycle was perpetuated through an increase in the foreign debt, which in the 23-year period between 1970 and 1993 increased by

---

<sup>103</sup>Boloña Behr, *Cambio de rumbo*, 14.

<sup>104</sup>Ibid., 17.

717 percent. This situation subjected the economy and the management of economic policy to the conditionality of the creditors. Peru's foreign debt has the following structure: 35 percent to private companies; 30 percent to the governments; 21 percent to international banks; and 14 percent to international organizations.<sup>105</sup> In recent years, Peruvian foreign debt to international financial institutions has experienced significant growth in recent years. This situation, and the fact that the international banks and other owners of the debt work closely with the international financial institutions, have increased the role of the international financial institutions in monitoring the economic policies of the country.

Table 30. Peruvian Foreign Debt 1970-93 (millions \$US)

	1970	1980	1985	1990	1993
Long-term	1221	7254	11785	18239	20228
Short-term	1491	1469	1092	1617	1929
Total	2712	8723	12877	19856	22157

Source: Banco Central del Reserva del Perú, Gerencia de Estudios Económicos.

---

<sup>105</sup>Banco Central de Reserva del Perú, *Club de París: La renegociación de la deuda externa peruana en 1991 y 1993*, June 1994.

The economy fell into a vicious circle: the GDP growth based in the deficit expenditures of the state and the imbalance in the balance of payments make it impossible to sustain long-term growth; the rate of growth of the economy declines to the point that it is growing slower than the population; this generates a decrease in per capita GDP; this serves to increase poverty in an environment of inequitable distribution of income; and this requires state action in order to stimulate the economy and generate growth.

The balance of payments deficit constitutes a loss of demand. To compensate for this, it is necessary to generate larger public deficits. For this reason, the balance of payments crisis associated with the fiscal crisis of the state occurs regardless of the export cycles. The state increases the public deficit to compensate for an insufficient effective demand. As shown in the following table, the government systematically spent more than it took in, to the point that by the end of the government of Alan García, almost one third of the state expenditures were not covered by state revenues.

Table 31. Central Government Budget 1970-93 (new soles)

	Revenues	Expenditures	Balance	Expenditures/Deficit Ratio (%)
1970	39	42	-3	7
1980	1,019	1,161	-142	12
1985	28,235	32,809	-4,574	14
1990	597,497	837,790	-240,293	29
1993	9,158,076	10,417,822	-1,259,746	12

Source: Banco Central del Reserva del Perú, Sub-gerencia del Sector Público.

As soon as the external deficit became unsustainable, the state had to eliminate its deficit and, consequently, instituted policies that slowed economic growth. This type of economy did not satisfy the domestic demand for food with domestic production, nor did it appropriately allocate public services to the population. This forced the population, particularly the people in the rural areas who suffered from the decline in agricultural production, to move to the urban areas. The result was the generation of tensions and the creation of sectors that pressured the state to adopt populist policies, which, at the same time, hindered the prospects for growth in the country. Economic growth was made more difficult due to the large amount of resources that the country transferred abroad through payments on the foreign debt. For example, in 1980 the country used 34 percent of its exports to

service the foreign debt. The total amount of the foreign debt has grown steadily to the point that in 1993 it represented 79 of the GDP. As a consequence, service on this debt constituted an obstacle to the government's allocating resources to other activities, such as social services.

Table 32. Coefficient of the Peruvian Foreign Debt 1970-93 (%)

Year	Total Foreign Debt/GDP	Public Debt/GDP	Service on Public Debt/Goods Exports
1970	47.3	16.5	16.2
1980	51.2	35.5	33.8
1985	59.4	48.7	20.7
1990	84.3	72.8	7.4
1993	78.9	67.8	25.6

Source: Ministerio de Economía y Finanzas; Banco Central de Reserva del Perú.

Consequently, the growth of the Peruvian economy, which is a structurally imbalanced economy characterized by segmented markets and technological heterogeneity, is limited by the balance of payments. The limited growth potential of the economy is also a result of the failure of the governments' economic policies that perpetuated a situation in which the beneficiaries of the system were particular groups of economic power, while the general population suffered in terms of their quality of life.

### **E. Conclusions**

This chapter has presented the characteristics of the economic policies in Peru in the period 1980-95 through the analysis of the expansive and recessive cycles of the economy since 1979. The state in its role as architect of economic policy; the role of the economic agents that function as political actors; and the restrictions that the international market places on Peruvian economic policy are discussed. The following conclusions have been yielded.

First, during the 1980s and early 1990s in Peru economic policies have been applied that have not been able to change the characteristics of the weak organization of the Peruvian economy. To the contrary, the economic policies have reinforced this weakness. The economic policies applied during this period that correspond to the second administration of President Fernando Belaúnde, the administration of President Alan García, and the first administration of President Alberto Fujimori have not generated sustained economic growth or employment; the policies followed are reflected in the erratic behavior of the GDP, that shows periods of recession and expansion that are increasingly short.

Second, the state constitutes the central element of the economic policy-making process; its failure during this period provoked the increasing impoverishment of the majority of the

people and their disenchantment with the state, and increased their hope for an unknown solution. These factors opened the space for the emergence of fiduciary democracy in the country. At least in recent years, the Peruvian state has been perceived by the population as a bureaucratic institution whose economic policies have failed and that is unable to guarantee the satisfaction of the basic necessities for most of the population.

The 1979 Constitution did not signify a rupture with traditional policies or a change in the way the laws were made. President Belaúnde's economic liberalization policy simply signified the opening of the country to foreign trade based on raw materials exports and consumer goods imports for the urban middle and upper classes. It did not signify the opening of the domestic market to competition. On the contrary, the domestic market was characterized by a monopoly structure. The costs of the economic policies of the second administration of Fernando Belaúnde were a decline in exports, a loss of the capacity to generate foreign currency, a strong increase in the foreign debt, and increasing inflation.

The society's disillusion with the state became accentuated during the administration of President Alan García. The failure of his economic policies provoked an economic crisis. The impoverishment of the majority of the population, increased violence, and negligence and corruption

at different levels of the state led to a loss of confidence on the part of the population. The state maintained its populist character to the point that it could not comply with its promises to achieve a "different future," nor could it provide for the growing needs of the population. The state, which was supposed to serve as the engine of development, was also committed to maintain a subsidized exchange rate, tax exemptions, preferential-interest or no-interest loans, high tariffs to protect domestic industry, and to increase public expenditures. The failure of the economic policies led to the bankruptcy of the state, the collapse of the economy, and the end of the promises of the heterodox economic policies.

The economic policies of President Alberto Fujimori in his first administration followed a neoliberal program of economic adjustment. The measures applied resulted in the control of hyperinflation, macroeconomic stabilization, the reinsertion of the country into the international financial system, and the reactivation of the economy. However, these achievements reaped a high social cost evidenced through higher unemployment and increased poverty. The economic program of President Fujimori remains underway and, through the success in combating inflation in re-initiating economic growth, maintains the citizens' hope that, at some point, the macroeconomic successes achieved will be translated into improved welfare for the people.

Third, a large sector of Peruvian society, which is multilingual and comprised of a variety of ethnicities, is not incorporated into the "official" country and does not possess mechanisms that permit access to the economic policy decision-making process. One of the most important considerations with regard to the incorporation of the "unofficial" social sector of the country has been the failure of the state to resolve the problem of centralism in Peru. Since 1980, the state has not implemented adequate policies to eliminate or decrease centralism. On the contrary, the policies developed by the state have contributed to its perpetuation and consolidation. The policies have not addressed the central point of the issue, which is the disparity between the urban and rural areas in the prices of the rural production. This disparity perpetuates a situation in which the people in the rural areas, particularly the peasants, small farmers, and small livestock producers, lose purchasing power and become further impoverished to the benefit of some sectors of the urban population. During the period 1980-95 the economic policies of the state have maintained the monopsony structure of the domestic market for agricultural products.

Fourth, the labor organizations have become weak as economic and political actors because they have progressively lost their capacity to represent the members of the laboring sectors. Because the weak organization of the economy and the

failure of the economic policies have reduced the size of the labor market and increased informality, the number of workers with the capacity to unionize has declined dramatically. Additionally, under the neoliberal reforms developed during the Fujimori administration, the concept of "job stability" has virtually disappeared. Because of this change in the labor laws, and because the union apparatus can no longer defend the workers to protect their working conditions or employment, the workers receive no incentive to participate in the unions. Moreover, they have a disincentive to participate, because participation in the unions, especially in leadership positions, could make them targets for dismissal. These factors reflect that the development of the unions is discouraged by the economic policies of the state.

Fifth, the business sector has demonstrated an ability to maintain access to the state, and it has been able to organize and act collectively through its own institutions to determine innovative ways to express and politically defend its collective interests; however, in the new economic environment of the 1990s, there has been movement away from the state toward the international business community, even though the Peruvian business sector maintains a subordinate position vis-a-vis the international business community. The business sector in Peru has traditionally exhibited risk-averse

behavior, fundamentally because of the structure of the productive system and the economic policies followed by the governments that conditioned their behavior. In the Peruvian economy, there is not sufficient demand to enable the enterprises to generate competitive profits. It has not been the market, but rather the state, that has generated the aggregate demand of the economy. Consequently, the business community has developed its behavior in order to allow it access to the aggregate demand through the state. Since the beginning of the 1990s, there has been a new wave of foreign direct investment, principally due to the selling of state-run enterprises to the international private sector. In this last period, the Peruvian business community has formed alliances with the international business community; when this has not been possible, the Peruvian business community has become subordinated to them.

Sixth, the informal sector, which is an emerging economic agent, is not integrated into the economic policy-making process of the country as a political actor. This sector, which arose out of the condition of poverty and is located on the margins of society, is not strong enough as a political actor to successfully bargain with the state and other well-established actors. Its emergence has made possible the ascendance of an implicit new political and economic project. Despite its achievements, without the recognition of the state

its implicit project will not move beyond a strategy of survival for the population on the margins of the "official" country to become viable.

Seventh, the Peruvian political economy is restricted by the international market because of the organization of the economy and the foreign debt. The Peruvian economy lacks a domestic sector that produces capital goods, intermediate products, and technology that will guarantee the growth of the domestic market and a positive impact on GDP growth and the generation of employment; for this reason, it has a strong necessity to import. However, the economy is not able to generate sufficient income to cover the imports because it is a primary-product exporter. The country's trade imbalance and its development necessities push the country to contract more and more foreign debt, the service on which constitutes a restriction on the design of economic policies. In recent years, there has been significant growth in the amount of Peruvian foreign debt to international financial institutions. This situation, and the fact that the international banks and other owners of the debt work closely with the international financial institutions, have increased the role of the international financial institutions in monitoring the economic policies of the country and have contributed to the loss of autonomy of the country to design its own economic policies.

#### CHAPTER IV: THE PERUVIAN POLYARCHY

This chapter presents the characteristics of the Peruvian political organization that existed in the 1980s and gave way to the regime of fiduciary democracy in the 1990s. The discussion relates to understanding how the citizens came to have increasingly less confidence that the electoral process could bring about the necessary conditions to meet their expectations. The effects of the broken promises of the traditional political organizations and their leaders created increasing disillusionment on the part of the citizens in the 1980s. The state of internal war in the country created a sensation of insecurity and undermined the rights of most of the country's poor population. In addition, the lack of governmental accountability, principally with regard to the irresponsible management of the economy and institutional corruption among the public administration, served to negatively influence the legitimacy of the government in the eyes of the citizens. In the context of the decomposition of the political parties and the vacuum created by the insurgent

movements, all of these elements led to a shift in the particular characteristics of the government that provoked the rupture of the constitutional system of the 1980s and gave ground to the emergence of fiduciary democracy in the 1990s.

The characteristics of the political regime in Peru in the period 1980-95 are analyzed in this chapter. The examination is conducted through the study of citizen participation in the electoral process, the competition among the political parties, political and civil liberties, and governmental responsibility. The roles of the parties of political organization and of the insurgent movements in the Peruvian political process during this period are also examined. The chapter shows that the political regime during this stage was a "restricted democracy;" that the political parties have virtually ceased to function as intermediaries between the state and society; and that the insurgent movements, principally Sendero Luminoso, threatened the existence of the state.

#### **A. Re-Establishment of Polyarchy (1980-92)**

The general elections of 1980, which followed 12 years of military governance, brought about the initiation of a new

period of constitutional governance.<sup>106</sup> However, 12 years after the re-establishment of the constitutional system, constitutional rule was again interrupted on April 5, 1992. The period of constitutional governance that was initiated in 1980, which consisted primarily of the administrations of Fernando Belaúnde Terry (1980-85) and Alan García Pérez (1985-90), has been characterized as democratic in academic literature. For example, using the methodological classification laid out by Diamond, Linz, and Lipset, McClintock says, "since 1980, Peru's government has been democratic...[the Belaúnde regime]...is the first in Peru's history to deserve the democratic label. For the first time, the franchise has been extended to all adults, and the competition for major positions of government power is entirely open to all political groups."<sup>107</sup> She further asserts that "[f]or the first time in Peruvian history, the country enjoys a democratic regime."<sup>108</sup> Similarly, Rueschemeyer, Stephens, and Stephens classify Peru's political system in the period under discussion as a full democracy. They say that,

---

<sup>106</sup>According to Baloyra, the dismantling of the Peruvian "experiment" (1968-80) represented the transition from an authoritarian to a democratic system of governance in Peru. Baloyra, *Comparing New Democracies*, 15.

<sup>107</sup>Cynthia McClintock, "Peru: Precarious Regimes, Authoritarian and Democratic," in *Democracy in Developing Countries*, 335.

<sup>108</sup>*Ibid.*, 377.

"Peru as of 1980 appeared to have made the transition to full democracy, with free and fair elections at all levels and universal suffrage including illiterates. The assumption of the presidency by APRA's Alan Garcia in 1985, fulfilling the decades-long aspirations of Peru's only mass party, seemed to confirm the democratic quality of the system.<sup>109</sup> However, considerations such as those expressed above do not reflect the distinctive characteristics of the Peruvian political process and do not define the characteristics of the Peruvian polyarchic system.

In order to determine the characteristics of the Peruvian polyarchic system during the period 1980-92, variables suggested by Diamond, Linz, and Lipset and Rueschemeyer, Stephens, and Stephens are used in Table 33 below. These variables have been applied within the current academic literature on the Peruvian political regime, and this why they are used in this study as a frame of reference for the analysis. As discussed in the first chapter, political regime type can be expressed along a broad continuum, with full democracy on one side and authoritarianism on the other. Through the use of the variables in the table, most of the recent qualifications of the Peruvian political regime of the 1980s have suggested that it was a "full democracy." However,

---

<sup>109</sup>Rueschemeyer, Stephens, and Stephens, *Capitalist Development and Democracy*, 308.

as is shown below, even on the basis of the variables employed in this literature that describes the Peruvian system as a "full democracy," what existed in Peru was not "fully democratic." On the contrary, the characteristics of the Peruvian political process show that what existed during the period 1980-92 was a polyarchic system with restricted democracy.

Table 33. Characteristics of Democratic Regimes

Author	Variable			
	A	B	C	D
Diamond, Linz, and Lipset	POLITICAL PARTICIPATION: Selection of leaders and policies through regular and fair elections, such that no major social group is excluded	COMPETITION: Among individuals and organized group for all effective positions of government power	CIVIL AND POLITICAL LIBERTIES: Such as expression, press, formal organizations. Sufficient to ensure the integrity of political competition and participation	
Rueschemeyer, Stephens, and Stephens	Regular free and fair elections (CONTESTATION) and on the extent of the suffrage (INCLUSION)	No-proscription of political parties (INCLUSION)	Freedom of expression and association and contestation to institutionalization of opposition (CONTESTATION)	Governmental Responsibility (CONTESTATION)

### 1. Political Participation

The participation of the citizens in the public affairs of Peru is a right that is established by the Peruvian

Constitution.<sup>110</sup> This political participation can be direct or conducted through representatives who are freely elected in public elections. The participation of the citizens in the election of their representatives—in the executive and legislative branches and at other levels of government, such as municipalities—is mandatory. Peruvians 18 years and older, including those that are illiterate, are required to vote; not doing so is penalized. The electoral processes of 1980, 1985, and 1990 were conducted under this system.

The conduct of the citizens with regard to political participation and preferences has been oriented by their identification with the sector to which they pertain. For example, the middle-upper class and the business sector evidence an ideological orientation in their preferences for political proposals that are on the right of the political spectrum. However, this conduct oscillates between formal support for free market and competitiveness reforms and their rejection when there is an attempt to implement them in practice. In classical mercantilist style as described by

---

<sup>110</sup>The Constitution was promulgated on July 12, 1979 and was in effect until April 5, 1992. It was later reformed by the *Congreso Constituyente Democrático* (CCD) and put forth for plebiscitary consideration on October 31, 1993. While the objective here is not to make a comparative study of the articles of the 1979 Constitution and the reforms drafted in 1993, it can be said that there have not been substantial changes made in this regard.

Hernando De Soto,<sup>111</sup> formal rejection of populism and state paternalism gives way to opportunistic acceptance when they happen to suit business interests. This pendular behavior is also evidenced with relation to the democratic system and elections. For example, the reaction of the business sector to the Fujimori government after the *autogolpe* was as follows: they prefer democracy (100 percent), they consider the Fujimori government to be dictatorial (79 percent), but at the same time, they support President Fujimori's decision to close the Congress (68 percent), to intervene in the Supreme Court (89 percent), and to dismiss the general comptroller of the Republic (86 percent).<sup>112</sup>

The middle class and the small business sector display more diverse behavior.<sup>113</sup> Their behavior is oriented by: their ideological preferences, which fall along the entire political spectrum; and their interests, determined by their family and friendship networks, which provide them access to the state. Their attitude toward the democratic system and electoral

---

<sup>111</sup>Hernando De Soto, *El otro sendero*.

<sup>112</sup>This information was taken from a survey conducted at the annual executive meeting CADE '94. See Apoyo, *Encuesta del encuentro anual de ejecutivos CADE '94*, October 1994.

<sup>113</sup>Henry Dietz and William E. Dugan, "Clases sociales urbanas y comportamiento electoral en Lima: Un análisis de datos agregados," in *Los enigmas del poder: Fujimori 1990-1996*, ed. Fernando Tuesta Soldevilla (Lima: Fundación Friedrich Ebert, 1996).

process is based more on pragmatism than it is on principle. For example, an individual may vote for a particular party in which he knows there are candidates that can provide him with access to a position in a public enterprise or in the public administration if they are elected. Another individual may vote for a particular congressperson who can facilitate for him a government contract for his business.

Among the popular sector, the breaking of political promises that had been made prior to the assumption of power, the effect of policies that promise one thing and achieve the opposite, and the "official" Peru's rejection of the excluded sectors of the country have resulted in a pattern of electoral behavior and an attitude toward the democratic process based on the following elements. First, supporting and voting for candidates is not based on ideological or programmatic coherence. This was demonstrated in three elections held between 1980 and 1985 in which it was shown that the same popular sector voters supported *Acción Popular* in 1980, which is on the right of the political spectrum, the *Izquierda Unida*

in 1982,<sup>114</sup> which is on the left, and APRA in 1985, which falls in the center.<sup>115</sup>

Second, the pattern of electoral behavior and attitude toward the democratic process of the popular sector are based on pragmatism. This pragmatism is based on the expectation that the people in this sector hold for the satisfaction of their basic social needs. This is because the popular sector has developed around the fight against poverty. They have defined their objectives to satisfy their need for employment, food, health, and education. Because the popular sectors perceive the state as a "foreign" entity, their pragmatic view is that their relationship to the state is only to extent that they can attain concrete achievements in the short term. For example, the shanty town organizations know that in pre-electoral periods they can obtain benefits from the state when the government increases public expenditures for electoral purposes. This enables them to attain such public goods as health centers and the construction of potable water systems. As a member of one popular kitchen expressed, "now is the time

---

<sup>114</sup>In the municipal elections of 1983 Alfonso Barrantes Lingán of the *Izquierda Unida* party was elected Mayor of Lima for the 1984-86 period, with 37 percent of the valid votes, with the support of the popular sector. Information from the *Jurado Nacional de Elecciones del Perú*.

<sup>115</sup>Fernando Tuesta Soldevilla, *Pobreza urbana y cambios electorales en Lima* (Lima: Centro de Estudios y Promoción del Desarrollo-DESCO, 1989).

for the government to donate a kitchen to replace the one that we have, which does not work, because after the elections all of the politicians and the government will forget about us."<sup>116</sup> In this way, the relationship with the political parties, the electoral process, and the state is a means to achieve survival objectives.

Third, the electoral behavior of the popular sectors is based on an attitude of mistrust toward those that have or seek power. This is because the governments of Fernando Belaúnde Terry and Alan García Pérez made promises that they would help the popular sectors, but the policies that they implemented served largely to further impoverish them. As a result, the popular sectors have developed an instinct of political opportunism: they have an affiliation with one party, and after the election, they change their affiliation to that of the party in power. As a public enterprise worker expressed, "If I don't have a party-membership card, I have no a chance to get any help from the people of the party in power or from the government."<sup>117</sup> This conduct is evidenced by the massive shift in affiliation to the winning parties after the

---

<sup>116</sup>Victoria Mamani, member of the popular kitchen of Villa María del Triunfo, interview by author, Lima, January 1995.

<sup>117</sup>Pancho Vargas, a public enterprise worker who holds party identification cards from the AP, APRA, and *Cambio-90* parties, interview by author, Lima, January 1995.

elections, a practice that occurs not only among the popular sectors but also among the middle class.

Fourth, an influential factor in the popular sector's pattern of electoral behavior, which was most evident in the elections of 1990, is the tendency towards identification through ethnic and cultural characteristics and religious values. The election of President Fujimori is an example of this tendency for identification among the population. The image that President Fujimori projected among the popular sectors was that he was part of an ethnic group that was different than the one that traditionally participates in the political power of the state. For this reason, the marginal ethnic groups constituted by the "cholo" Peru, the Peru of the humble and simple people, were able to identify with President Fujimori. The popular sector identified with him because of the simplicity of his message, his use of the popular vernacular, and, particularly, his phonetic difficulty in the use of Spanish, a difficulty that is shared by the majority of the popular-sector Peruvians.<sup>118</sup> This was in sharp contrast to his political opponent, Mario Vargas Llosa, who, in the view of the population, represented the white upper class with sophisticated language and behavior unlike their own. The lack

---

<sup>118</sup>For example, President Fujimori made common an expression that he used to respond to his adversary, Mario Vargas Llosa, saying that he (Fujimori) was not "un caído del palto," which is a popular-sector expression.

of identification with Mario Vargas Llosa on the part of the popular sectors was illustrated by an inhabitant of a Lima shanty town. He said that when Vargas Llosa visited his area prior to the second round of elections in 1990, he tried to make the people identify with him. He dressed in casual clothes, and was picking up the children to kiss them. However, when he would put them down, he would wipe his hands off on his clothes.<sup>119</sup>

In contrast, the candidates for the presidency, the first vice presidency, the second vice presidency, and the Congress on the *Cambio-90* ticket were formed by representatives of popular extraction who had not participated in official politics. The candidates for the first and second vice presidencies on the ticket of *Cambio-90*, were Máximo San Román, who was a small business community leader, and Carlos García, leader of the Evangelical Church. Vargas Llosa, on the other hand, was accompanied by politicians associated with parties that had failed in power and represented traditional political behavior. The candidates for the first and second vice presidencies on the *Frente Democrático* (FREDEMO) ticket were Eduardo Orego Villacorta, former mayor of Lima and one of the founders of *Acción Popular* (AP), of the AP party; and

---

<sup>119</sup>Marcelino Zapata, inhabitant of the Huaycán shanty town, interview by author, Lima, January 1995.

Ernesto Alayza Grundy, influential Congressman and co-founder of the *Partido Popular Cristiano* (PPC), of the PPC party.

The identification of the population with Alberto Fujimori was most affected by the 1990 electoral campaign itself. The FREDEMO candidates for the presidency and the Congress had run a high-budget campaign in the effort to promote their image and their neoliberal program. In contrast, the message of Alberto Fujimori was spread by word-of-mouth among such organizations as neighborhood groups and the Evangelical Church. This led to the perception that the candidacy of Alberto Fujimori had emerged from among the popular sector itself.

The indigenous population of the highlands and the Amazon region relates to the political and electoral process principally on the basis of two factors: first, they are forced to register to vote in order to obtain an electoral identification card<sup>120</sup> and to be recognized, at least formally, as a citizen; and second, the population is under the obligation to vote. With regard to the former, an electoral identification card is crucial for the indigenous population of the highlands and Amazon region to avoid the suspicion that they are associated with terrorist groups and because it

---

<sup>120</sup>In Peru, this is called the *libreta electoral*, which is the main form of identification in the country.

allows them to be part of the country, at least in a formal sense. With regard to the latter, in the context of the political violence of the decade of the 1980s, the population of the highlands and the Amazon region had to vote because not to do so would have given the appearance that they were on the side of *Sendero Luminoso*, which had advanced a boycott of the elections.

For these two reasons, the requirement to hold an electoral identification card and to vote, this segment of the population is formally registered to vote and participates in elections. However, there is no evidence that the members of this segment of the population agree ideologically with the political proposals, that they participate actively in the political process, that they hold expectations regarding the results of the elections, or that they expect that the governments elected will respond to their needs. An illustration of this was provided by a member of a highland community who said that it is important to be registered to vote because the first thing that the police ask for is "papeles," referring to the electoral identification card. "If you do not show him one, you will go to jail, and you will have to pay to get out." It is necessary to vote because "when you vote, they put a stamp in your identification card; if you do not have the stamp, the police can put you in jail for

terrorism." He went on to explain that the majority of the people in his community did not understand the candidates' political programs or the state policies because they do not speak Spanish.<sup>121</sup> A similar situation can be found in communities in the Amazon region of the Putumayo River and the Yavari River.

The characteristics detailed above were evidenced in the electoral process shown in Table 34 below.

Table 34. General Political Elections in Peru: 1956-90

	(percentage)						
Concept	1956	1962	1963	1978 <sup>(1)</sup>	1980	1985	1990 <sup>(2)</sup>
Citizens Inscribed in the Electoral Register	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Absenteeism	16.0	11.3	5.6	16.0	18.2	8.8	22.8
Votes Submitted	84.0	88.7	94.4	84.0	81.8	91.2	77.2
[Valid]	[94.3]	[85.8]	[92.8]	[84.1]	[77.7]	[86.1]	[84.8]
[Null and Blank]	[5.7]	[14.2]	[7.2]	[15.8]	[22.3]	[13.8]	[15.2]

- (1) Constituent elections, convoked under the military regime of Francisco Morales Bermudez  
 (2) The first electoral round.

Source: *Jurado Nacional de Elecciones del Perú*

As is shown, the general elections of 1980, 1985, and 1990 displayed a tendency toward the behavior observed in the four earlier electoral processes, in which there were significant

<sup>121</sup>Juan Chacón, a member of the community of Ananea, Sandia, interview by author, Puno, Peru, August 1996.

levels of absenteeism and null and blank votes. This signifies that despite the incorporation of illiterates into the electoral process, the elections of 1990 display a percentage of absenteeism (22.8 percent) that is greater than it had been in earlier elections. It should be taken into consideration, however, that the voting register was not updated, and in many cases it included people who were no longer living. Similarly, the proportion of null and blank votes in the 1980 elections (28.3 percent) is the highest of the seven general elections considered.

The high level of absenteeism in the general elections of 1990 marks a tendency that is confirmed by the 1992 elections for the *Congreso Constituyente Democrático* (CCD) (28.7 percent), the municipal elections of 1993 (34.4 percent), the referendum of October 1993 (29.6 percent), and the general elections of 1995 (27.0 percent). These results evidence a low level of citizen participation, despite the fact that the vote is compulsory and non-compliance is penalized with a fine. This behavior can be explained in part by the sentiment of the population towards the electoral process; after many unfulfilled promises, the population has reached a point of frustration and disenchantment. This situation also occurs in other countries in Latin America. As Landi suggests, "in many of the countries of the region, a large gap is being produced

between two processes. The first is that of institutional representation of the citizens through the parties by means of the vote. The other is the distinct process of political representation."<sup>122</sup> To this must be added the factor of the perverse influence of insurgent violence, particularly in the rural areas; the guerilla threatened anyone who went to vote with reprisals.

The null and blank votes, which can serve as a reflection of public sentiment regarding the electoral processes in which they participate, display an erratic pattern of behavior over the period 1980-95. In 1980 there was a high percentage of null and blank votes, which has been attributed in part to the new group of young and illiterate voters who were able to vote for the first time. This percentage declined in the elections of 1985 (13.8 percent) and 1990 (15.2 percent), despite the insurgent groups' campaign to undermine the voting process. The null and blank votes increased in the elections for the CCD (23.7 percent) and in the municipal elections of 1993 (25.2 percent), and then decreased drastically in the referendum of 1993 (8.9 percent). Null and blank votes

---

<sup>122</sup>Oscar Landi, "Outsiders, nuevos caudillos y media politics," in *Partidos y clase política en América Latina en los 90*, comp. Carina Perelli, Sonia Picado S., and Daniel Zovatto (San José, Costa Rica: Instituto Interamericano de Derechos Humanos-IIDH, 1995), 207.

increased again in the 1995 elections (17.8 percent), as is illustrated in the following table.

Table 35. Elections in Peru 1990-95

	(percentage)				
	1990 <sup>(1)</sup>	1992 (CCD)	Jan 1993 <sup>(2)</sup>	Oct 1993 <sup>(3)</sup>	1995
Citizens Inscribed in the Electoral Register	100.0	100.0	100.0	100.0	100.0
Absenteeism	20.1	28.7	34.4	29.6	27.0
Votes Submitted	79.9	71.3	65.6	70.4	73.0
[Valid]	[90.5]	[76.3]	[74.8]	[91.1]	[82.2]
[Null and Blank]	[9.5]	[23.7]	[25.2]	[8.9]	[17.8]

(1) The second electoral round  
(2) Municipal elections  
(3) Referendum of the New Constitution

Source: *Jurado Nacional de Elecciones del Perú*.

The behavior of the citizenry in the electoral processes during the period 1956-90 marks a tendency of absenteeism that is repeated in most elections through 1995. This situation expresses, among other things, the characteristics of the political culture of the citizens. It confirms, as stated above, that some citizens do not identify the electoral process with the solutions to their immediate problems. As Perelli suggests, in the case of Peru, "there are not only regional differences but also ethnic and language differences...it is the relatively vast territories with low

population density that have enabled the parties to have a fundamentally urban base and that have made it impossible to penetrate in all these vast territories where the cultural patterns do not favor the existence of these mediators conceived in the dense complexity of the social fabric of Western Europe."<sup>123</sup> This factor is sometimes overlooked in discussion of the Peruvian political system.

As is shown in Table 36, in the last general elections in Peru, on average more than one-third of the voting-age population did not participate in the electoral process, even though it is compulsory. This information suggests that the political participation in terms of inclusion of the citizenry in elections is limited.

---

<sup>123</sup>Carina Perelli, "La personalización de la política: Nuevos caudillos, 'outsiders,' política mediática y política informal," in *Partidos y clase política*, 182.

Table 36. Participation in the Electoral Process in Peru 1980-95

	(thousands)			
	1980	1985	1990	1995
A: Total Population	17,297	19,417	21,550	22,515
B: Population of Voting Age <sup>(1)</sup>	8,936	10,412	12,034	13,059
C: Population inscribed in the electoral register	6,486	8,290	10,012	12,418
D: Voting Population	5,307	7,557	7,730	9,065
E: Population excluded from the electoral process (B-D) [%]	3,629 [41]	2,855 [27]	4,303 [36]	3,994 [31]

(1) Older than 18 years. Based on information of *Instituto Nacional de Estadística e Informática* (INEI).

Source: INEI and *Jurado Nacional de Elecciones del Perú*

This low level of participation was accompanied by a sense of frustration, disenchantment, and mistrust of the electoral process. In addition to this lack of identification with the electoral system on the part of the citizenry, which is true not only for the case of Peru but also for other Latin American countries,<sup>124</sup> the time period 1980-92 was characterized by a set of complex socio-political conditions and insurgency, and an official counter-insurgency war resulting in further threats to the citizens, particularly in the highland regions and the marginal urban zones. It can be said that under the particular conditions in Peru from 1980

---

<sup>124</sup>For other cases in which this phenomenon has been witnessed, refer to the several chapters in the volume edited by Perelli, Picado, and Zovatto, *Partidos y clase política*.

on, the character of free and fair elections was questionable, especially in municipal elections. Areas in the highland regions and the marginal urban zones were declared in a state of emergency. As a consequence, basic constitutional guarantees were suspended. The citizens received pressure from the insurgent forces not to vote or to submit blank votes. They were also pressured by the military authorities to participate in the voting activities. In this sense, "the militant confrontation of this cycle of violence is developed in a context of exclusion...[T]he Senderistas have not only excluded themselves but the social bases that support them are also excluded from their social rights."<sup>125</sup> In this context of a complex socio-political process, it is difficult to achieve the political participation that full democracy requires.

## 2. Competition

Key to effective competition in a democracy are viable and active political parties. They are the true institutions of the democratic system that compete to represent the citizens. In the Peruvian case, parties have not stood out as paragons of internal democratic practices. The inability of

---

<sup>125</sup>Sinesio López, "Perú: Una modernización frustrada, 1930-1991," in *Desde el límite: Perú—Reflexiones en el umbral de una nueva época*, ed. Juan Abugattas, Rolando Ames, and Sinesio López (Lima: Instituto Democracia y Socialismo, 1992), 189.

these institutions to appropriately conceptualize the reality of the country and the absence of legal norms to regulate the organization and functioning of the political parties, in practice exposes them to anarchy or *caudillism*. They replace internal democracy with the authoritarianism of their leadership, and they confuse the exercise of opinion with the subordination and political responsibility of clientelism.

The military government's taking of power in 1968 was to some degree a response to the bankruptcy of Peru's traditional parties. Twelve years later, the Constitution of 1979 and the end of the military regime did not represent a reconstruction of the political parties, the modernization of the political class, or a restatement of the ideology of the political parties. The political parties in Peru continued to be unable to serve as the political expression of society. Instead, they had become arenas for feuding among elites (*cúpulas*), distanced from party bases and from society in general.

The abandonment of the citizenry by the political parties and the politicians in general can be traced to more than broken promises and the irresponsible behavior of politicians charged with the management of the state apparatus. It is also due to the lack of coherence between what is proposed and what is real and, in some cases, to theoretically feasible policies that in practice prove to be inoperative or inviable.

The distancing of the political parties from the citizenry has become so extreme that a fixed distance between the citizens on one side and the politicians and the political parties on the other has developed. This has been manifested in the fact that a large proportion of the citizens define themselves as "apolitical." As stated by one Congressman, "the people are particularly hard on the politicians...They see them as responsible for all our failures and for all the bad things that there are in Peru. It cannot be said that in the elections of 1989 and 1990 the parties were excluded...they had the majority of the votes, but the relative victory of the independents was a clear warning from the electorate."<sup>126</sup> This evidences the politicians' unwillingness to accept the responsibility for their failure to adequately represent the population.

Society's perception of the incapacity of the political parties to confront the deterioration of the social and economic structure of the country resulted in the election of Ricardo Belmont as mayor of Lima in the municipal elections of 1989. Belmont was a radio and television program producer who, through his daily contact with the public, was able to interpret the desires of the community and defeat the more

---

<sup>126</sup>Henry Pease García, *Los años de la langosta: La escena política del Fujimorismo* (Lima: Instituto para la Democracia Local, 1994), 38.

"representative" candidates of the parties. The electoral behavior of the population on this occasion evidenced a greater value placed on the type of leadership to be exercised than on the organization on which it was founded.

The tendency toward the abandonment of political party sympathies has been demonstrated by a poll taken in Lima three months before President Alberto Fujimori's *autogolpe*, in which 51.1 percent of the population claimed to be "independents" who do not support political parties.

Table 37. Political Groups With Which People Identify before the Self Coup

Party	Percentage
Movimiento Libertad (ML)	14.4
Movimiento Cambio-90	9.4
Alianza Popular Revolucionaria Americana (APRA)	8.9
Izquierda Unida (IU)	6.3
Partido Popular Cristiano (PPC)	5.9
Accion Popular (AP)	2.7
Other Parties	0.7
Independents	51.1
Do Not Know/No Opinion Expressed	0.6

Source: Compañía Peruana de Investigación de Mercados (CPI) <sup>127</sup>

<sup>127</sup>Published in *Caretas*, 10 February 1992, 24.

The weakening of the political party system acts against the development of political life and democracy. It leads the citizenry to strengthen anti-democratic positions instead of examining programs and proposals. It thus leads them to place their expectations on people or groups or disengage from politics altogether. As Merkl suggests, this phenomenon also occurred in the advanced democratic countries: "Parties and the representative process no longer play quite the dominant role in democratic systems that they once did. They have increasingly abandoned important policy making areas to interest groups, bureaucratic planners, or neocorporatist interest intermediation—or failed to claim them when they came into focus. At the same time, the media and other agencies have taken over much of what used to be the parties' functions of political communication and agenda-setting."<sup>128</sup>

In Peru, this tendency is confirmed by the results of the elections of 1990 and 1995 in which the traditional parties—APRA, AP, the PPC, and *Izquierda Unida*—showed less and less prominence in the electoral results. This decrease in importance of the traditional parties has reached the point that in the general elections of 1995 the main parties have

---

<sup>128</sup>Peter H. Merkl, "The Challengers and the Party Systems," in *When Parties Fail: Emerging Alternative Organizations*, ed. Kay Lawson and Peter H. Merkl (Princeton, NJ: Princeton University Press, 1988), 587.

legally ceased to be recognized because they obtained less than five percent of the vote. This is shown in the table below.

Table 38. Votes Obtained by the Main Political Parties and Political Movements 1978-95

	(percentage)					
	1978 Constituent Assembly	1980	1985	1990 First Round	1992 CCD	1995
APRA	35.3	27.4	45.7	19.2	-	4.11
AP	-	45.4	6.2	- <sup>(3)</sup>	-	1.64
PPC	23.8	9.6	10.2 <sup>(1)</sup>	- <sup>(3)</sup>	9.7	- <sup>(6)</sup>
Left	29.4	13.9	21.3 <sup>(2)</sup>	11.1 <sup>(2)</sup>	5.5 <sup>(4)</sup>	0.57 <sup>(2)</sup>
<b>Total: Traditional Parties</b>	<b>88.5</b>	<b>96.3</b>	<b>83.4</b>	<b>30.3</b>	<b>15.2</b>	<b>6.32</b>
FREDEMO	-	-	-	27.3	-	-
Cambio-90	-	-	-	24.6	49.3 <sup>(5)</sup>	64.42 <sup>(5)</sup>
UPP	-	-	-	-	-	21.81 <sup>(7)</sup>
<b>Total: Non- Traditional Parties</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>51.9</b>	<b>49.3</b>	<b>86.23</b>

- (1) The PPC was presented in the elections under the name of *Convergencia Democrática* (CODE).
- (2) The left was presented in the elections under the name of *Izquierda Unida* (IU).
- (3) AP and PPC were part of FREDEMO.
- (4) The left was presented as the *Movimiento Democrático Independiente* (MDI).
- (5) The movement *Cambio-90* participated together with the movement *Nueva Mayoría*.
- (6) The PPC did not present a candidate for the presidency, but the party did present a list of candidates for the Congress.
- (7) *Union por el Peru* (UPP) was a movement created for the 1995 presidential campaign.

Source: *Jurado Nacional de Elecciones*.

The dramatic fall of the left, as of the APRA party, suggests a change from the environment predominant in 1980 in which both parties—IU and APRA—captured the largest part of the popular sector votes. In the case of APRA, the government of President Alan García provoked the most notable frustration among even the members of his own party. This was because he did not govern with the party and took unilateral actions without consulting the membership of the party. It was also because he failed to lead the “great transformation” that the party had promised to the country.

With regard to the IU, which had raised considerable expectations among the population in the early 1980s, as Pease suggests, it fell “when its own leader [Alfonso Barrantes] provoked its division and its breaking into pieces, at the doors of the election of 1990.”<sup>129</sup> Although the IU had a proposal for the reconstruction of the party for the elections of 1995, it failed. This was possibly because it encountered the dilemma described by Sartori that “a left liberated from the Marxist confinement could be a more intelligent and rational left than has been known. But a left without an anchor, without linkage with Marxism, could also be a left that makes us lament. Although mistaken, Marxism was an ideological and doctrinaire framework to be respected.

---

<sup>129</sup>Pease García, *Los años de la langosta*, 52.

Argument could be made against Marxism, but against nothing, the argument is bad."<sup>130</sup> Following the collapse of the socialist experience of the 20th century, the Peruvian left is still searching for a new ideological reference point.

The *Frente Democrático* (FREDEMO) was formed after Mario Vargas Llosa headed a demonstration in the Plaza de Armas of Lima in protest of the law of nationalization of the banks, promulgated by President Alan García in 1987. The FREDEMO movement was constituted by a group of already-existing political parties: *Acción Popular* (AP), directed by Fernando Belaúnde; the *Partido Popular Cristiano* (PPC), lead by Luis Bedoya Reyes; the *Movimiento Libertad*, headed by Vargas Llosa and Hernando de Soto; and the *Movimiento Solidaridad y Democracia* (SODE), headed by Javier Silva Ruete. This movement had strong economic support and elaborated an articulate platform under a neoliberal perspective.<sup>131</sup> The message of Vargas Llosa was frank and honest in terms of the adjustment measures required by the country. This clarity was used against him by his adversaries, first by the APRA party who warned of the "holocaust" that would befall the country if

---

<sup>130</sup>Giovanni Sartori, *La democracia después del comunismo* (Orig. *La Democrazia Dopo Il Comunismo*), 2nd ed., trans. María Luz Morán Calvo-Sotelo (Madrid: Alianza Editorial, 1994), 116.

<sup>131</sup>Frente Democrático (FREDEMO), *Acción para el cambio: El programa de gobierno del frente democrático* (Lima: FREDEMO, 1989).

Vargas Llosa were elected, and later by Alberto Fujimori. FREDEMO lost the elections of 1990 and no longer exists as a movement.

The members of the *Movimiento Libertad*, together with personalities from different positions across the Peruvian political spectrum, formed the *Unión por el Perú* (UPP), under the leadership of Javier Pérez de Cuellar. In the presidential elections of 1995, they received 22 percent of the vote, losing the elections to Alberto Fujimori, who received 64.42 percent of the vote.

The *Cambio-90* movement was organized in September 1985 by Alberto Fujimori Fujimori; they were inscribed in the *Jurado Nacional de Elecciones* in 1988 with the support of 204,000 signatures. They accredited 13 departmental committees, a provincial committee in Callao, and 42 districts in metropolitan Lima. The initial group was formed by professors of the *Universidad Agraria la Molina*, of which Alberto Fujimori was President.<sup>132</sup> They were later joined by Carlos García, pastor of the Evangelical Church, other members of his community,<sup>133</sup> and Máximo San Román, a bakery owner, who

---

<sup>132</sup>Professors of the University, Leoncio Ruiz, Victor Paredes, Alberto Sato, Rafael Espinosa, Victoria Paredes, and Victor Diaz Lau, were among this first group.

<sup>133</sup>Among them were Pablo Correa, who later became the National Secretary of the Organization of the Movement, and Julián Bustamante, a successful entrepreneur from the small

represented the growing microenterprise sector. None of them had been affiliated with a political party or had participated in politics prior to joining the *Cambio-90* movement.

Before the elections of 1990, this movement had only registered 20,000 members. The platform of *Cambio-90* was simple and is summarized as follows: first, the goal was to stimulate and promote all of the economic and social actors toward the development of justice and peace; second, these actions were to be directed by professionals and technicians deeply involved with the interests and aspirations of the people; third, public affairs were to be conducted with honesty and through the search for consensus to provide answers to the national problems; fourth, efficiency and efficacy were to characterize the actions of the government; fifth, the rules of the game had to be clear, simple, and stable in order to give confidence and credibility; sixth, dialogue and negotiation were to be conducted among the public and private sectors; and seventh, the formulation and application of governmental policies were to obey pragmatic considerations before ideological or group interests.<sup>134</sup> Under this program and with the slogan "*honradez, tecnologia, y*

---

business sector.

<sup>134</sup>Movimiento Cambio-90, *Lineamientos del plan de gobierno de Cambio-90* (Lima: Movimiento Cambio-90, 1990).

*trabajo*," (honesty, technology, and work), *Cambio-90* conducted an unorthodox and comparatively inexpensive campaign and obtained 24.6 percent of the votes in the first round of the elections of 1990.

Because neither Vargas Llosa, who received 27.3 percent, or Fujimori attained a majority, both went on to the second round. After the elections of April 1990, Alberto Fujimori continued his campaign, visiting shanty towns and key areas of the country. For the first time, he organized a commission for his plan of government constituted by non-political figures,<sup>135</sup> and participated in a public debate with Mario Vargas Llosa, who was also a political "outsider." Thus, it seemed that at the crucial point of the presidential campaign, there were two political "outsiders" vying for the presidency of the country. However, during the course of the electoral process, Mario Vargas Llosa came to be identified as an "insider" because he had the support of the traditional political parties, *Acción*

---

<sup>135</sup>The presidents of the commissions of the plan of government were as follows: Victor Arroyo, sociologist and director of an evangelical magazine *Visión Mundial*, Political Commission; Carlos García, lawyer and president of the *Consejo Nacional Evangélico del Perú*, Commission of Economy and Finance and Social Compensation Program; Máximo San Román, engineer and bakery owner, Industrial Commission; Guillermo Yoshiyama, educator and director of the *Colegio Internacional de Arequipa*, Education Commission; Victor Paredes, fishing engineer, Fishing Commission; César Pimentel, agrarian engineer, Agriculture Commission; Roberto Moriel, retired army colonel, Commission of Defense and Pacification; and Santiago Roca, economist, Commission of the Plan of Government.

*Popular* and the PPC, and because he ran an ostentatious electoral campaign. In the second round, the majority of the population (62.4 percent) voted for Alberto Fujimori; Vargas Llosa received only 37.6 percent of the vote. Similarly, in the elections of 1995 Alberto Fujimori led the *Cambio-90* movement, which formed an alliance with the *Nueva Mayoría* movement,<sup>136</sup> and defeated Javier Pérez de Cuellar.

According to the electoral results discussed above, competition in Peru no longer takes place among the political parties. It is the independents, who reject the politicians and political parties, that compete to represent the citizens. These independents form "movements" that lack formal organization, doctrine, and explicit ideology. The decline of the traditional parties in Peru appears to confirm that their clientelistic linkage<sup>137</sup> failed in Peru and most likely will be replaced by other forms of relations between the state, citizens, and organization. As Lawson suggests, linkage of the

---

<sup>136</sup>The *Nueva Mayoría* movement was created for the elections of 1995 principally by Congressional members who supported President Fujimori but were not members of the *Cambio-90* movement. It has been suggested that this alliance was formed in order to configure the list of candidates for the Congress with people over whom President Fujimori had influence.

<sup>137</sup>Kay Lawson defines clientelistic as being when the party acts as a channel for the exchange of votes for favors. See Kay Lawson, "When Linkage Fails," in *When Parties Fail*, 18.

citizenry to the state is either not being provided or is no longer acceptable, and the major parties are responsible, in whole or in part, for the linkage failure.

Even worse, association with the traditional political parties has come to virtually guarantee electoral failure. The irony of the situation is that, even though formal parties exist, because they fail to represent the political expression of the citizenry, they serve to further weaken the democratic system.

In sum, the transition to civilian rule in 1980 was not accompanied by a reconstruction of the political parties, modernization of the political class, or a restatement of political party ideology. As a result, the political parties in Peru did not come to represent the political expression of society. Rather, in this period the political parties became increasingly distanced from the party bases and from society in general. As Perelli suggests, "the parties were not prepared to cope with the new demands associated with the inequalities produced by the economic adjustment of the 1980s. They were not quick to respond to the new challenges when the state had to withdraw from the management of resources and cut services. The retreat of the state from many of its economic and social activities laid bare the weakness of the political parties who began to lose their role as mediators between society and the state, which was historically their

traditional function."<sup>138</sup> Consequently, a high proportion of the population came to declare themselves as politically "independent" rather than supporting a particular party. This trend toward the weakening of the political party system works against the development of political life and against the institutionalization of democracy in the country. The political parties no longer guarantee competition in the system.

### 3. Civil and Political Liberties

Since 1980, the year in which *Sendero Luminoso* appeared on the political scene, the concept of civil and political liberties has reflected one of the weakest aspects of the Peruvian political system. The mandate of the Constitution, which says that everyone has the right to life, the right to physical integrity, and the right to free personal development, has been under severe limitations.

As a consequence of the internal war which has afflicted Peru, violence has transformed the life of Peruvians. Roughly 30,000 people lost their lives and more than 100,000 families abandoned their places of origin because of the violence. The entire social structure of the country was affected by the

---

<sup>138</sup>Perelli, "La personalización de la política," 175.

internal war.<sup>139</sup> The civilian government has progressively applied policies in favor of military power. This has reached the point that by the end of the decade of the 1980s, 40 percent of the national territory and 50 percent of the population was living under a state of emergency, which in practice, signifies the suspension of basic constitutional guarantees.

The displacement of the rural population into the urban centers has generated tensions among different social strata. This is because, due to both their ethnicity and their condition of poverty, the displaced rural populations came to be viewed with suspicion in the city as sympathizers with the insurgent forces and as a threat to other popular sector groups in the urban areas with whom they would compete for scarce jobs and social services.

Within this context, the government and the insurgent forces were engaged in a war in which the citizenry became the victims of the struggle. During this period, serious violations of human rights were committed that are incompatible with the principles that sustain a democratic regime. For example, Amnesty International has suggested that

---

<sup>139</sup>Pepi Patrón, Nicolás Lynch, Francisco Sagasti, and Max Hernández, *Buen gobierno y desarrollo en el Perú: Hacia una agenda para la gobernabilidad democrática*, Documento de Trabajo del "Agenda: Perú" (Lima: Equipo de Trabajo del Proyecto "Agenda: Perú," 1994).

in 1990 at least 503 people, including 69 children and young people, were "disappeared," and hundreds more were victims of extra-judicial execution. They included human rights lawyers, teachers, trade unionists and peasant community leaders. Prisoners of conscience were held on false charges of "terrorism." Torture by the military and police, including rape, continued to be reported throughout the country.<sup>140</sup> Similar assertions were put forth by other human rights organizations such as Americas Watch.

These circumstances of violence, accompanied by economic crisis, generated a fragmented society in which the citizens were limited in their ability to exercise their civil rights. These conditions served to affect the citizens' perception of the capacity of the existing political regime to confront the economic crisis and the violence with which they were faced.

As discussed in the previous chapter, Peru is a fragmented country in which two societies coexist simultaneously. One is "official" and predominantly Western in cultural orientation, and the state plays the role of intermediary between the different social sectors. The other is an "unofficial" society with cultural traits of its own, which the state has not penetrated and where its presence in

---

<sup>140</sup>Amnesty International, *Amnesty International 1990 Report* (New York: Amnesty International Publications, 1990), 30.

most cases has been alien and hostile. Within this context of duality, the people from the "unofficial" society are more vulnerable to violations of their civil rights.

The demographic explosion accompanied by economic crisis, internal migration that aggravates the problems of excessive centralization and urban concentration, and the increasingly extreme inequality between the rich and the poor have exacerbated social tensions and created fertile ground for the development of two phenomena which explicitly threaten the state and the democratic system: insurgent activity and drug trafficking.<sup>141</sup>

The emerging marginal groups, as well as the confrontation with insurgency and drug trafficking, have elicited a repressive and violent state response that has been considered to have been in violation of the civil rights of diverse sectors of the population. This violence has been imposed to a different degree and manner upon the different

---

<sup>141</sup>According to estimates of the impact of narcotraffick in Peru, it is believed that 155,000 families or 750,000 people are directly dependent upon the cultivation of coca. The incomes of coca farmers in 1992 totaled \$792.7 million. The aggregate value of coca in Peru is estimated at \$1,476.6 million, which is equivalent to 3.3 percent of the 1992 GDP of Peru; the aggregate value of the production of coca in the agricultural sector represents 19 percent of 1992 GDP in this sector. It is estimated that exports of coca from Peru total \$1,861.5 million, which is equivalent to 53 percent of the legal exports of the country. See Adolfo F. Chiri, "New Parameters in Bilateral Anti-Narcotic Relations: The United States and Peru," *The Journal of Latin American Affairs* 2, no. 2 (1994): 19.

strata of society, yet it has been unable to contain the erosion of the "official" Peru. This explains why during most of the decade of the 1980s, the constitutional rights were not in effect for most of the citizens who lived in the areas of the country that were under a state of emergency. This led to the loss of confidence in the state on the part of the society and the consequent bankruptcy of values and respect for the fundamental rights of the citizens.

#### 4. Government Responsibility

During the 1980s the management of public affairs, principally with regard to economic matters, brought the country to the most severe economic crisis of the present century and threatened the relative stability of the Peruvian political system. A weakening of the balance of powers, which is the substance of the entire democratic regime, took place in favor of the executive branch.

As Abugattas states, from the beginning of the decade "using its majority in the Chamber of Deputies and its strength in the Senate in alliance with PPC [*Partido Popular Cristiano*], the Belaúnde regime minimized the constitutional role of the Congress to the point of annulling it...Because legislative powers were given to the executive, all major laws were decided and decreed by the executive branch in a closed

decision-making process not unlike that which took place during authoritarian rule."<sup>142</sup> A similar situation occurred in the government of Alan García, who had a majority in both chambers of the Congress. In the end, the legislature was completely subordinated to the executive power. It is likely that the fact that Alberto Fujimori did not have a majority in the Congress in 1990 was one of the factors that contributed to the *autogolpe* in 1992. President Fujimori had a majority in the CCD and later in the Congress of 1995, and there have been accusations of the Congress being subordinate to the executive power.<sup>143</sup>

The situation discussed above has progressively served to distance the state from the interests of the majority while at the same time impeding the majority from recognizing itself within the state. This situation, as Stein and Monge suggest, follows the dominant tendency toward the breakdown of traditional values. This loss of confidence in the institutions of the state represents the beginning of the

---

<sup>142</sup>Luis A. Abugattas, "Populism and After: The Peruvian Experience," in *Authoritarians and Democrats: Regime Transition in Latin America*, ed. James M. Malloy and Mitchell A. Seligson (Pittsburgh, PA: University of Pittsburgh Press, 1987), 139-140.

<sup>143</sup>See *Caretas*, 20 July 1995.

breakdown of the patrimonial culture,<sup>144</sup> which for a long time has constituted the principal element of the social cohesion of Peru.

The crisis of the state is not unique to Peru, as O'Donnell has suggested.<sup>145</sup> The severe socio-economic crisis suffered by the majority of developing countries fosters the growth of what O'Donnell refers to as brown areas, in which there exists territorial and functional heterogeneity in terms of class, ethnicity, and gender, and the state is unable to regulate social life across this heterogeneity. These effects come not only from diverse processes of social and economic disintegration, but also from the crisis of the state as an effective legal entity and as a legitimate agent of the common interest.

The constant pressure of the popular sectors to obtain an identity within the state through greater participation has ended in disenchantment and frustration. This has been accompanied by new forms of behavior, such as participation in

---

<sup>144</sup>Stein and Monge define patrimonial relations as those that are hierarchical and vertical among different classes and component groups of the Peruvian society; patrimonial relations are supported by the popular sectors of subordinate position in society and in the political system. See Stein and Monge, *La crisis del Estado patrimonial*, 13-15.

<sup>145</sup>Guillermo O'Donnell, "Sobre o estado, a democratização e alguns problemas conceituais: Uma visão Latino-Americana com uma rápida olhada em alguns países pós-comunistas," *Novos Estudos (Brazil)* 36 (1993).

the informal sector of the economy, which dissipate and weaken the power of the state as these new organization ignore or act without placing their expectations in the authority of the state. This is how, as suggested by Ernesto Yepes, President Fujimori's election campaign can be viewed as, "the last attack, the attack on the state...The marginals have imposed candidates on the official Peru who in one way or another fit more within the logic of the world they have been restructuring than within the traditional molds of the official Peru."<sup>146</sup>

The lack of accountability in the management of the economy on the part of the government has turned the economic crisis into a permanent crisis. This has contributed to the decomposition of the productive base of the country and has exacerbated its social problems.

Another aspect of this lack of governmental accountability is corruption, which has one of the most pernicious effects on the public administration. As discussed by Stein and Monge, "in the growing rejection of the state and of those who manage it, the problems of inefficiency and corruption have been closely related to different levels of

---

<sup>146</sup>Ernesto Yepes, *La modernización en el Perú del siglo XX: Economía y política, ilusión y realidad* (Lima: Mosca Azul Editores, 1992), 85.

the bureaucracy."<sup>147</sup> During the time of the civilian regime of the 1980s, there were denunciations of corruption in the executive and legislative branches and at other levels of the public administration. For example, in order to acquire simple services to which the ordinary citizen has a right, such as getting a drivers license in a reasonable amount of the time, he must sometimes "pay under the table" or have influence. Corruption also contributes to the development of a mentality in which the citizens believe that rules are made but the reality is conducted in other ways. This idea is reinforced by corruption at high levels of the public administration that is denounced during the electoral campaigns and forgotten soon after the elections.

One of corruption's most destructive features is its impact on the judicial system. In that the citizens' right to vote is a public right that supports the democratic regime, the inherently public dimension of the citizens' private relations are violated when justice is not administered. In this sense, the right that is established in the private relations of the citizens also serves as a base for the democratic system. This is always possible when the legal and judicial systems function through just and honest mechanisms.

---

<sup>147</sup>Stein and Monge, *La crisis del Estado patrimonial*, 91.

As Klitgaard points out, "Competition and accountability—both noteworthy features of democracy and free markets—are the enemies of corruption. Yet while democracy, the separation of powers, a free press, and freer markets are surely to be welcomed, it remains true that actions to control corruption must be beyond broad-gauged reforms at the top."<sup>148</sup> In Peru, the degree of institutional corruption, particularly as a consequence of the actions of high-level government officials, is especially severe. For example, former President Alan García has been accused of illicit enrichment by Congressional committees, private business people, and other high-ranking government officials. The amount for which he is accused of stealing is \$180 million.<sup>149</sup> At the present, the judicial process for the case of the former president has not been completed. However, this situation and others like it have created among the population the sense that corruption is pervasive in the highest sectors of government and have had a

---

<sup>148</sup>Robert Klitgaard, "Strategies for Reform," in *The Global Resurgence of Democracy*, ed. Larry Diamond and Marc F. Plattner (Baltimore, MD: Johns Hopkins University Press, 1993), 231.

<sup>149</sup>Among the corrupt activities in which Alan García is accused of participating are: benefits to business persons under a special exchange rate, \$100 million; the BCCI banking scandal, \$53 million; commission on the sale of 14 Peruvian Mirage planes to Arabic countries, \$20 million; commission on the Chavimochic irrigation project, \$3 million; and commission on the electric train project, \$1 million. Reported in *Caretas*, 25 May 1995.

negative impact on the already low level of confidence of the population in government officials.

At other levels of the government there have been scandals regarding the misallocation and misappropriation of funds that stemmed from the behavior of the public officials at the middle and low levels of the political system. Legal infractions have been committed with impunity, and corruption from the magistrates of the judicial branch up to the level of the Supreme Court has been denounced. This has served to configure a reality of *institutionalized immorality*, which is in contrast with the principles of a democratic regime and is the most lethal enemy of democracy.

#### B. Political Actors

In the period under consideration, there were two main actors in the political arena: the political parties, which came to lose their position as representative of the population's political interests, and the insurgent movements, which emerged as a threat to the existing system in the beginning of the 1980s. Both of these actors are analyzed in detail below.

## 1. Political Parties

The political party spectrum in Peru from 1960s to the end of the 1980s was dominated by *Acción Popular* (AP), *Partido Popular Cristiano* (PPC), *Alianza Popular Revolucionaria Americana* (APRA), and, to a lesser degree, by leftist groups.

*Acción Popular* (AP), founded by Fernando Belaúnde Terry, participated in the political process in Peru since 1956. AP is a party with a charismatic leader who, with one simple ideological message that invokes the past history of the country, has appealed to sectors from the ideological center who did not sympathize with APRA or the left, or with the old parties of the traditional oligarchy, such as the *Unión Nacional Odrista* (UNO). In 1963 AP won the presidential elections with Fernando Belaúnde as candidate; he was removed from power in 1968 by a military coup led by Juan Velasco Alvarado. Later, in 1980 AP again won the presidential elections with Fernando Belaúnde as candidate; he won with 45.4 percent of the vote.

The two administrations of President Fernando Belaúnde Terry showed the inability of the *Acción Popular* (AP) party to solve the problems of the country; as a result, the message of AP no longer convinced the citizens, and even the party members abandoned the party to the point that it has practically disappeared. In 1985 with the candidate of Javier

Alva Orlandini, AP only received 7.3 percent of the vote. In the municipal elections of 1993, AP received 11.6 percent of the vote. Finally, in the general elections of 1995, with the candidate Raúl Diez Canseco, AP obtained only 1.64 percent.

The *Partido Popular Cristiano* (PPC) was founded as an offshoot of the Christian Democratic Party in 1966 under the leadership of Luis Bedoya Reyes. The PPC maintained an alliance with AP, and participated in both administrations of Fernando Belaúnde. In the elections for the Constituent Assembly of 1978, PPC obtained its highest level of votes with 23.8 percent. In the general elections of 1980, the PPC achieved 9.6 percent of the votes; in the elections of 1985, the party received 10.2 percent of the votes. Later, in the elections for the CCD in 1992, PPC obtained 9.8 percent. Finally, in the general elections of 1995 the party withdrew the PPC candidate for the presidency, Lourdes Flores Nano, following a poor showing in initial polls.

The APRA party was founded in 1924 in Mexico by Victor Raúl Haya de la Torre and became constituted as an official party in Peru in 1930.<sup>150</sup> The party has participated in 14 electoral processes. From 1980 to 1985 the party enjoyed its

---

<sup>150</sup>For an analysis of APRA's presence in Peruvian history see Steve Stein, *Populism in Peru: The Emergence of the Masses and the Politics of Social Control* (Madison, WI: University of Wisconsin Press, 1980).

highest degree of popularity growth, which was maintained through 1987; at that time, it started its decline, which continued through 1995. In 1978 APRA obtained 35.3 percent of the votes; in 1980, when the candidate was Armando Villanueva del Campo, APRA obtained 27.4 percent of the votes. It recovered in 1985 with the candidacy of Alan García, who obtained 45.7 percent.

When the party took power through Alan García's presidency, it found a favorable political context. There had been a clear responsibility for the economic crisis in the government of President Belaúnde. The entrepreneurial sectors, the salaried workers, and the parties in general were grouped against the model of economic development of President Belaúnde and his discourse of neoliberalism. In the midst of an economic crisis provoked in part by the neoliberal policies of the government of President Belaúnde, there were initial signs pointing toward the breakdown of the Peruvian political system, such as the ineffectiveness of the civilian government in addressing the major social and economic problems of the country and the growing insurgent violence, led principally by Sendero Luminoso. In this context, Alan García emerged as a charismatic leader, promising large sectors of the population the possibility to construct a "different future."

However, when Alan García assumed the presidency, he did so without a defined and modernized plan of governance. He was in the middle of two tendencies that existed in the party, which differed according to the ideological interpretation of the message of Haya de la Torre: the first followed the proposals of Haya de la Torre in the 1920s and 1930s regarding the anti-imperialist state,<sup>151</sup> and was led by Armando Villanueva del Campo; the second drew upon the texts of Haya de la Torre of the 1950s asking for moderation with foreign capital and distancing from the left,<sup>152</sup> led by Luis Alberto Sánchez. Proponents of neither of these tendencies were able to articulate a plan of government for the administration of President García. The *Comisión de Plan de Gobierno del APRA* (CONAPLAN) was headed by Luis Alva Castro. CONAPLAN was in charge of the preparation of the first program of the government. However, because of ideological discrepancies within the party, the plan of government was inconsistently applied.

The conduct of President García in power generated complaints from important sectors of the party because his

---

<sup>151</sup>Victor Raúl Haya de la Torre, *El antimperialismo y el Apra* (Santiago, Chile: Ediciones Ercilla, 1936).

<sup>152</sup>Victor Raúl Haya de la Torre, *Antología del pensamiento político de Haya de la Torre*, comp. Andrés Townsend Ezcurra (Lima: Biblioteca Nacional del Perú, 1995).

administration did not include the party militants. He was accused of not consulting the members of the party because their expectations were not satisfied by the government.<sup>153</sup> According to Stein, in its vertical nature, Aprismo was a movement "united by relationships of personal loyalty between leaders and followers...Aprista verticality was usually expressed in the ties between specific social groups—such as unions, professionals, or employees—and the leadership, a tendency clearly expressed in the group-style organization of the party."<sup>154</sup> The vertical structure of the party impeded the relationship between society, the state, and the party. As a result, the bureaucratic structure of the party was subordinated to President García.

The distancing of the President from the members of his party resulted in the detachment of the citizens from the APRA party. This was reflected in the results of the last two general elections and in those of the municipal elections, which show that the APRA party is no longer the primary political power of the country. There was a decline to 19.2

---

<sup>153</sup>Marino Ortíz, a member of the APRA party and the national leader of the Colegio Médico del Perú, expressed his disappointment with the APRA administration because no APRA member in the executive or legislative branches took into account the proposals that his organization, the Colegio Médico del Perú, made. To the contrary, the policies of the government went against the interests of his organization. Interview by author, Lima, August 1996.

<sup>154</sup>Stein, *Populism in Peru*, 203-204.

percent in 1990 with the candidacy of Luis Alva Castro. In the municipal elections of 1993, APRA obtained only 10.8 percent of the national vote. Finally, in the general elections of 1995 the party obtained only more than 4 percent with the candidacy of Mercedes Cabanillas.

In 1978 for the elections of the *Asamblea Constituyente*, the left was principally constituted by the following parties or movements: *Frente Obrero Campesino Estudiantil y Popular* (FOCEP); *Partido Socialista Revolucionario* (PSR); *Partido Comunista Peruano* (PCP); *Unidad Democrático Popular* (UDP); and *Acción Revolucionario Socialista* (ARS). Throughout the decade these parties and movements underwent processes of division or reconfiguration, or they disappeared altogether. By the elections of 1990, the only viable political grouping on the left was the *Izquierda Unida* (IU).

This movement, comprised of a group of small leftist parties, had its first favorable performance in the elections for the Constituent Assembly of 1978 in which 29.4 percent of the vote was received. Later, in the elections of 1980, this figure declined to 13.9 percent. In the general elections of 1985, with the candidacy of Alfonso Barrantes Lingan, IU obtained 21.3 percent. In the general elections of 1990 the party's candidates received only 11.1 percent of the votes. This tendency towards decline continued in the elections for

the CCD in October 1992 when the party obtained only 5.5 percent. Finally, in the general elections of 1995 with the candidacy of Agustín Haya de la Torre, IU obtained only 0.57 percent of the votes.

Overall, the leftist movements in Peru had their most significant influence as an electoral force in the Constituent Elections of 1978. Since then the tendency toward division and fracturing of the left into small parties has been a constant. Each small group of the left represented a different Marxist interpretation of the reality and the problems of the country. However, the ideological discrepancies between these small parties of the left did not have a foundation in the reality of the country or in the members of the organizations themselves. On the contrary, at least most of the time, their leadership reflected the electoral interests that would enable them to maintain the "stability" of their positions in the Congress. The actions of the leaders of these small parties in the Congress involved them in the bureaucratic routine and in the "bourgeoisie" political game that they supposedly rejected. In practice, their conduct led them to defend the *status quo* that they had convinced their bases they intended to fight against. As stated by Alan Angell, "the Left in the 1990s has no distinctive policies to offer that are

politically attractive and represent a true alternative to those of the neoliberal Right."<sup>155</sup>

The left failed in Peru because of three factors: (1) the legal left came to be viewed as ineffectual and bureaucratic; (2) most of the people came to identify the message of the left with the failure of the APRA government. They believed that a leftist government would constitute a continuation of the Aprista government. This happened because in the 1980s the inappropriateness of the praxis, the diagnostics, and the ideologies that mobilize the left became evident. The interventionist state, distribution without production, fear of the market, excessive protectionism, and paternalism over society were discredited by the APRA government and were presented to society as a failed alternative that the left had wanted to put into practice; and (3) the crisis of the legal left during the 1980s and early 1990s was accompanied by the growth of *Sendero Luminoso* and the MRTA, movements that demonstrated more coherence between their ideological discourse and political practice. In comparison with the ineffectual actions of the legal left, the insurgent movements came to be seen as a more viable political force.

---

<sup>155</sup>Alan Angell, "Incorporating the Left into Democratic Politics," in *Constructing Democratic Governance: Latin America and the Caribbean in the 1990s*, ed. Jorge I. Domínguez and Abraham F. Lowenthal (Baltimore, MD: The Johns Hopkins University Press, 1996), 24.

## 2. Insurgent Movements

The insurgent movements of orthodox Marxist ideology, *Partido Comunista del Perú Sendero Luminoso* (*Sendero Luminoso*) and the *Movimiento Revolucionario Tupac Amaru* (MRTA), developed a violent fight against the state. Their presence contributed to the collapse of the regime of restricted democracy of the 1980s and contributed to the creation of a vacuum in the political system that gave ground to the emergence of fiduciary democracy in the country.

The insurgent movement at the beginning served as a channel for popular discontent and presented, principally to the "unofficial" Peru, an alternative of utopic society. The impoverishment of the Peruvian population, together with the lack of viable proposals and the deterioration of the fundamental institutions of the country, brought about a questioning of the established order. Political violence in Peru has resulted from the polarization of the society and the incapacity of the economic and political system to provide for the basic needs of the population. The extreme expression of this questioning was the appearance of armed insurgent groups. The emergence of *Sendero Luminoso* and the MRTA signified the beginning of a long and painful war that, since its inception on May 18, 1980, provoked roughly \$25 billion in economic damage and lost resources, and has claimed more than 25,000

lives: 10.4 percent, members of the police and armed forces; 45.3 percent, members of the insurgency; and 44.3 percent, civilians.<sup>156</sup> There were more than 600,000 peasants displaced from the rural to the urban areas as a result of the violence. According to Carlos Tapia, the majority of the displaced were families from the central-south region of the Peruvian highlands and parts of the jungle region. There are two types of displacement: internal, where the final destination is the closest city to the area where they live; and external, where the final destination is the coastal cities, principally Lima.<sup>157</sup> In addition to this internal migration, in the period 1985-90 roughly 100,000 Peruvians left the country, due at least in part to the violence in which the country was embroiled.<sup>158</sup>

*Sendero Luminoso* emerged in the rural area of Ayacucho and grew to become one of the most violent movements in the

---

<sup>156</sup>Controversy exists regarding the number of victims and economic impact of the insurgency. In general, the figures cited in this respect are similar to those presented here, which were provided by the *Instituto de Defensa Legal* in Lima, Peru.

<sup>157</sup>Speech of Carlos Tapia on 20 July 1993 at the Universidad Nacional San Cristóbal de Huamanga in Ayacucho, cited in *Diario La República*, 21 July 1993.

<sup>158</sup>Adolfo F. Chiri, "International Mobility of Labor Factor: Remittances, an Approximation for the Case of Peru," *The Journal of Latin American Affairs* 2, no. 1 (Spring 1994): 27.

recent history of Latin America and to constitute a serious threat to the Peruvian state and the stability of the country in the 1980s. Social and economic conditions in the country in the 1960s and early 1970s primed the country for the violence that accompanied the movement. The emergence of *Sendero Luminoso* followed the failure of the guerrilla movement, *Movimiento de Izquierda Revolucionario* (MIR), led by Luis de la Puente Uceda, which was inspired by the Cuban revolution in the 1960s. The delayed government response to the appearance of *Sendero Luminoso* was a result of the centralized nature of the Peruvian political system. This delayed response let *Sendero Luminoso* grow and improve their military capacity and expand their organization. As the first civilian administration to assume power in more than a decade, the administration of Fernando Belaúnde Terry was reluctant to engage the military in active struggle against insurgent movements.<sup>159</sup> This reluctance led the Belaúnde administration to fail in the diagnosis of the nature of the insurgent movement, and consequently, to fail in the strategies applied by his administration to restrain the development of the movement.

---

<sup>159</sup>Dirk Kruijt, *Perú: Entre Sendero y los militares, seguridad y relaciones cívico militares, 1950-1991* (Barcelona: Editorial Robles, 1991).

The state forces in charge of halting its growth had an incomplete vision of the nature of the phenomenon; their strategies were insufficient and focused on military repression with a small degree of paternalistic assistance to the poor populations in the areas of the conflict. The large number of victims attributed to the repressive actions of the state suggests that the government confused *Sendero Luminoso* with a guerrilla group of the MIR style or with a group that lacked a social base. In reality, *Sendero Luminoso* proved to be an organization whose objective was to take power through the destruction of the state apparatus and of its base of social support. For this the group relied upon strategies and tactics based in orthodox Marxist ideology and inspired by the Maoist method of combat.

Nor did the government recognize the persuasiveness of the movement's discourse that captivated segments of the Peruvian population with the promise of the Communist utopia. Principally, young men and women from the middle-class and the poor sectors of the population were influenced by this ideology to the point that they were convinced that through acts of violence they could find solutions to the country's problems.

The weakness of the Peruvian state and the duality that exists in the country between the rural and the urban areas,

fostered the conditions in which the insurgent group was able to develop to the point of destabilizing the country. Although *Sendero Luminoso's* origins are in rural Peru, the movement is a product of the university-educated youth. Because of its university base, the movement had a fundamentally intellectual character. *Sendero Luminoso* drew upon key elements in Peruvian society: an ethnically stratified population, a weak state, unorganized social sectors, and the country's reliance upon the international economy. All of these issues were encapsulated under the rubric "Gonzalo Thought"<sup>160</sup> and put forth by the founder of the movement, Abimael Guzmán Reynoso, or "Chairman Gonzalo." This ideology is based in crucial aspects of the thinking of Mao Tsetung<sup>161</sup> and José Carlos Mariategui, applied to the contemporary Peruvian situation.<sup>162</sup> As Guzmán stated in an interview in 1988, "Chairman Mao Tsetung was extremely insistent on this point, that if Marxism-Leninism-Maoism is not applied to concrete reality, it

---

<sup>160</sup>See Luis Arce Borja, comp., *Guerra popular en el Perú: El pensamiento Gonzalo* (Brussels: El Diario, 1989).

<sup>161</sup>Because Chinese is not an alphabetic language, Chinese names appear in the roman alphabet spelled in different ways. There have been different systems of romanization developed. For this reason, the name of the leader of the Chinese revolution of this century is often seen in different forms, among them Zedong, Ze-dong, Tse-tung, and Tsetung. The latter is used here.

<sup>162</sup>See Deborah Poole and Gerardo Renique, *Peru: Time of Fear* (London: The Latin America Bureau, 1992).

is not possible to lead a revolution, not possible to transform the old order, destroy it, or create a new one. It is the application of Marxism-Leninism-Maoism to the Peruvian revolution that has produced Gonzalo Thought."<sup>163</sup>

*Sendero Luminoso* has been characterized as disciplined and ordered, where a single dominant line of ideology and control was imposed. Up until his capture on September 12, 1992, the armed struggle was largely identified with Abimael Guzmán. Despite the capture of many of its top leaders, the organized structure of the movement, extended through a hierarchical structure and reinforced by a standing cadre of militants able to assume leadership positions as needed, enabled the movement to continue. As stated in *Sendero Luminoso's* literature, "The PCP [*Partido Comunista del Perú*] is guided by the principle that 'the leadership never dies.' The capture and even the disappearance of the highest Maoist leaders is a calculated risk in this organization...the leadership could disappear...but the remaining leaders must and can continue with the plans, the struggle, the people's war...Chairman Mao taught us 'we pick up our dead, cure the wounded and continue the battle.'"<sup>164</sup>

---

<sup>163</sup>"Interview with Chairman Gonzalo," *A World to Win* (London) 1, no. 3 (November 1992).

<sup>164</sup>"Nothing Will Stop the Revolution: Gonzalo Thought is Still Free," *El Diario Internacional* (Belgium), no. 14

Following the capture of Abimael Guzmán, *Sendero Luminoso* passed through a stage of recomposition of its commanding ranks. From this recomposition two lines emerged: one has followed Abimael Guzmán, proposing the signing of a peace accord with the government; and the other, *Sendero Rojo*, headed by "Comrade Feliciano," has pushed for the continuation of the war. However, these two lines were actually short-term expressions of the unique, unified strategy that *Sendero Luminoso* had been developing since the capture of its leader, Abimael Guzmán. The long-term strategy remained the same.

Elements of *Sendero Luminoso's* strategy were to boycott elections, to disrupt campaigns and polling, and to threaten the candidates and authorities. According to the official newsletter of *Sendero Luminoso*, *El Diario Internacional*, "Don't Vote!" has been a slogan of *Sendero Luminoso* since 1980. They initiated the armed struggle by burning ballot boxes in Chuschi, Ayacucho. The movement defines the electoral process as "an instrument in the counterrevolutionary war."<sup>165</sup>

In addition to its organizational structure, *Sendero Luminoso* was able to continue its activities and grow stronger because of the group's operations in the Upper Huallaga

---

(September 1992), 2.

<sup>165</sup>"Elections and Military Tyranny: Fujimori's Geishas, Failure of the November Farce," *El Diario Internacional* (Belgium), no. 17 (January 1993), 5-6.

Valley. The Upper Huallaga served two main functions in *Sendero Luminoso's* strategy: first, through strategic alliances with the drug trade, it provided financial support that enabled the maintenance of the guerrilla apparatus; and second, it constituted a foothold for gaining a solid base of peasant support. *Sendero Luminoso* maintained its position in the Upper Huallaga through primarily coercive means. In addition, the inappropriate response from the police and the military institution further facilitated support for the insurgency in the area. The police, principally interested in combating drug production and trafficking, and the military, primarily concerned with the insurgent movement, engaged in rivalries that undermined their efforts to control for the presence of *Sendero Luminoso* in the Upper Huallaga region.

In fact, the response to the issue of drug production and narcotrafficking in the region by the Peruvian government actually drove the coca-producing peasant families to seek protection from *Sendero Luminoso*. However, in circumstances when the government moved against *Sendero Luminoso* without directly disrupting the peasants' livelihood, they were able to gain a position for central government authority in the area.

The insurgent group integrated ideology, military tactics, and long-term objectives and adapted them to the

specificities of Peruvian society, with particular emphasis on the rural population. Support for the insurgent forces among the rural communities can be partially understood through the importance of the idea of reciprocity among the peasant communities. Police and judicial corruption, and thievery went against the system of values of the community, and their elimination gained the support of the rural population. *Sendero Luminoso* seized upon the vacuum of state authority to control these immediate local issues, and imposed their own type of order. They eliminated the authorities that represented the state and imposed "discipline" in the rural communities.

In order to position themselves to seize power from the state, *Sendero Luminoso* shifted to an urban focus in the latter part of the 1980s. As they had done in the rural areas, they concentrated their efforts in gaining support among the marginal communities, at this point in the urban shanty towns. Most of the high-ranking leadership of the movement shifted their base to urban areas; by the time of the capture of the principal leaders of the group in the early 1990s, most of them were found in Lima.

The government's military response to the insurgent violence<sup>166</sup> was concentrated and principally affected the poorest sectors of the population in the rural and urban areas, who were caught in the middle of the struggle. Such offenses as disappearances and torture were reported to have been committed by both parties to the conflict, giving Peru the dubious distinction as one of the countries with the highest incidences of systematic violation of human rights, according to organizations such as Americas Watch and Amnesty International. Such was the effect of the violence that the Peruvian case represented the first time that these international human rights organizations implicated a non-governmental group, *Sendero Luminoso*, in the violation of human rights.<sup>167</sup>

The other major insurgent group, the MRTA, was formed in the early 1980s as an alliance of several political factions.

---

<sup>166</sup>*Sendero Luminoso*, however, claimed a "superior morality and ideology," and denounced the government and the armed forces for their actions in the counter-insurgency war. See "El genocidio, método contrainsurgente: Brutal matanza de prisioneros," *El Diario Internacional* (Belgium), no. 13 (May 1992), 3.

<sup>167</sup>*Sendero Luminoso* claimed that America's Watch and Amnesty International are part of the "worldwide trend to label some political prisoners 'legitimate' and others 'illegitimate,' according to how serious a threat they pose to the big powers." See *The International Campaign to Defend the Life of Dr. Abimael Guzmán* (London: International Emergency Committee-IEC, 1993), 9.

The development of the movement during the 1980s shifted from political organization to politico-military organization. The organizational structure of the MRTA has several levels, such as rural units and military units, that specialize in different fields, such as propaganda, union organizing, social movements, and guerrilla activities. Its first public appearances were comprised of armed propaganda actions, such as the occupation of radio stations, the attack of arms depots, the confiscation of trucks carrying food and its distribution in poor neighborhoods. In addition, there were acts of a more serious nature designed to gain financial support for the organization, such as armed bank robberies and kidnappings. The first armed confrontation with the government forces was in 1984.

The capture of the group's leader, Victor Polay Campos, and other high-ranking leaders of the organization, and the counter-terrorism strategy of the Fujimori administration narrowed the social bases of the movement. For this reason, the MRTA concentrated their political and military structure in the rural areas of the central part of the country and in the Upper Huallaga area. In the rest of the country they have a political structure that carries out political activities among city neighborhoods, workers, and peasant communities.

By the mid-1990s, the counter-insurgency strategy of President Fujimori had achieved substantial gains, which

resulted in the capture of the high-ranking leaders of *Sendero Luminoso* and the MRTA and the weakening of their organizations. This resulted in the dramatic reduction in the number of insurgent activities and the feeling among the population that the country was close to achieving peace. However, as was made clear on December 17, 1996, when one unit of the MRTA, led by Néstor Cerpa Cartolini, engaged in a dramatic hostage taking that shocked the world,<sup>168</sup> the insurgent movements have not been eliminated and represent a potential for political violence whose significance can not be downplayed.

The presence of *Sendero Luminoso* and the MRTA in the decade of the 1980s contributed to the collapse of the polyarchic system of restricted democracy that existed throughout this decade. Their activities contributed to the destruction of the institutions and the creation of a vacuum in the political system that provided space for the emergence of the system of fiduciary democracy. The activities of the insurgent movements, which took a high personal and economic

---

<sup>168</sup>The MRTA initially took roughly 800 hostages, who were released in small groups until 72 key diplomats, businessmen, and politicians from Peru, Japan, and Bolivia remained. They remained in the Japanese Ambassador's residence for 126 days until President Fujimori engineered a military attack on the residence. The fatalities of the rescue mission were all 14 of the guerrilla and 2 members of the armed forces, who perished during the operation; 1 hostage died in the hospital shortly after the conclusion of the mission.

toll on the citizens, created the necessity for the country to search for someone with authority in whom they could place their trust to end the conflict and bring about hope for the future.

### C. Conclusions

This chapter has presented an analysis of the characteristics of the Peruvian polyarchy in the period 1980-95. The general elections of 1980, which followed 12 years of military governance, brought about the initiation of a new period of constitutional governance; however, 12 years after the re-establishment of the constitutional system, constitutional rule was again interrupted on April 5, 1992. In order to determine the characteristics of the Peruvian polyarchic system during this period, variables that have been applied within the current academic literature on the Peruvian political regime have been used in this study as a frame of reference for the analysis: citizen participation in the electoral process, competition among political parties, the existence of political and civil liberties, and perceptions of governmental responsibility. On the basis of the analysis of these factors and of the behavior of Peru's main political actors, the political parties and the insurgent movements, the following conclusions are reached.

First, with regard to political participation and preferences of Peruvian citizens in the period 1980-92, the conduct of the citizens has been oriented by their identification with the social sector to which they pertain. This behavior was repeated in the subsequent elections of 1993 and 1995. The middle-upper class and the business sector have evidenced an ideological orientation in their preferences for political proposals that are on the right of the political spectrum. However, this conduct has oscillated between formal support for free market and competitiveness reforms and their rejection when there has been an attempt to implement them in practice. The middle class and the small business sector have displayed more diverse behavior. Their behavior has been oriented by: their ideological preferences, which have fallen along the entire political spectrum; and their family and friendship networks, which potentially provide them access to the state. Among the popular sector, the breaking of political promises that had been made prior to the assumption of power, the effect of policies that have promised one thing and achieved the opposite, and "official" Peru's rejection of the excluded sectors of the country have resulted in a pattern of electoral behavior and an attitude toward the democratic process characterized by particular elements. They are: supporting and voting for candidates has not been based on ideological or programmatic coherence; support has been based

on pragmatism; there has been an attitude of mistrust toward those that have or have sought power; and political effectiveness has often been based on identification with politicians through ethnic and cultural characteristics and religious values. The indigenous populations of the highlands and the Amazon region have related themselves to the political and electoral process principally to avoid the suspicion that they are associated with terrorist groups. They have been forced to register to vote in order to obtain an electoral identification card and to be recognized, at least formally, as a citizen. Also, political participation has allowed them to feel part of the country, at least in a formal sense.

The high level of absenteeism in the general elections of 1990 marked a tendency that was confirmed by the 1992 elections for the *Congreso Constituyente Democrático* (CCD), the municipal elections of 1993, the referendum of October 1993, and the general elections of 1995. These results evidenced a low level of citizen participation, despite the fact that the vote was compulsory and non-compliance was penalized with a fine. This behavior can be explained in part by the sentiment of the population towards the electoral process; after many unfulfilled promises, the population had reached a point of extreme frustration and disenchantment.

The particular conditions in Peru from 1980 on were not just a result of government policy but stemmed also from complex social phenomena characterized by the development of subversive forces. Under these conditions, the character of free and fair elections was questionable, especially with regard to municipal elections. Areas in the highland regions and the marginal urban zones were declared in a state of emergency. As a consequence, basic constitutional guarantees were suspended, and the ability of the citizens to exercise their rights in the political process was severely restricted.

Second, with regard to competition, the political parties, true institutions of the democratic system, which compete to represent the citizens, do not stand out as paragons of internal democratic practices in Peru. The Constitution of 1979 and the end of the military regime did not represent a reconstruction of the political parties, the modernization of the political class, or a restatement of the ideology of the political parties. The abandonment of the citizenry by the political parties and the politicians in general can be traced to more than broken promises and the irresponsible behavior of politicians charged with the management of the state apparatus. The distancing of the political parties from the citizenry had become so extreme during this period that a visible gap between the citizens on

one side and the politicians and the political parties on the other had developed.

Peruvian society's perception of the incapacity of the political parties to confront the deterioration of the social and economic structure of the country resulted in the election of Ricardo Belmont as mayor of Lima in the municipal elections of 1989. This tendency toward the abandonment of political party sympathies was confirmed by the results of the elections of 1990 and 1995 in which the traditional parties showed increasingly less prominence in the electoral results. The dramatic fall of the left, as of the APRA party, suggests a change from the environment predominant in 1980 in which the left, represented predominantly by *Izquierda Unida* (IU), and APRA, captured the largest part of the popular sector votes. In the case of APRA, the government of President Alan García provoked the most notable frustration among even the members of his own party. The IU, which had raised considerable expectations among the population, was divided and had broken into pieces by the elections of 1990 and failed in its efforts to re-unify for the next elections. As a consequence of the weakness of the political parties, at the crucial point of the 1990 presidential campaign, there were two political "outsiders" vying for the presidency of the country.

According to the electoral results discussed above, competition in Peru no longer takes place among the political parties. It is the independents, who reject the politicians and political parties, that compete to represent the citizens. These independents form "movements" that lack formal organization, doctrine, and explicit ideology. The decline of the traditional parties in Peru appears to confirm that their clientelistic linkage failed in Peru and most likely will be replaced by other forms of relations between the state, citizens, and organization.

Third, with regard to civil and political liberties, as a consequence of the internal war, violence transformed the life of the Peruvian people. Roughly 30,000 people lost their lives, and more than 100,000 families were uprooted from their places of origin because of the violence. The entire social structure of the country was affected by the internal war. The civilian administrations of the 1980s progressively applied policies in favor of military power. This reached the point that by the end of the decade of the 1980s, 40 percent of the national territory and 50 percent of the population was living under a state of emergency. In practice, this signified the suspension of basic constitutional guarantees. Within this context, the government and the insurgent forces were engaged in a war in which the poorest segments of the population became the principal victims of the struggle.

These circumstances of violence, accompanied by economic crisis, generated a fragmented society in which the citizens were limited in their ability to exercise their civil rights. These conditions served to affect the citizens' perception of the capacity of the existing political regime to confront the economic crisis and the violence with which they were faced. Within this context, the administration of President Fujimori was confronted with the challenge of establishing order in the country. His administration made advances toward this goal with the capture of the leader of *Sendero Luminoso* and other members of the upper ranks of the insurgency in the early 1990s. The successes made in this regard opened spaces for increased civil and political liberties for the citizenry. However, there remain areas of the country that live under a state of emergency and denouncements of human rights violations against the state forces.

Fourth, with regard to government responsibility, during the 1980s the management of public affairs, principally with respect to economic matters, brought the country to the most severe economic crisis of the present century and threatened the relative stability of the Peruvian political system. A weakening of the balance of powers, which is the substance of the entire democratic regime, took place that favored the executive power. The lack of accountability in the management

of the economy on the part of the government turned the economic crisis into a permanent crisis. This contributed to the decomposition of the productive base of the country and exacerbated its social problems.

Another aspect of this lack of governmental accountability is corruption. At other levels of the government there were scandals regarding the misallocation and misappropriation of funds that stemmed from the behavior of the public officials at the middle and low levels of the political system. Legal infractions were committed with impunity, and corruption from the magistrates of the judicial branch up to the level of the Supreme Court were denounced. This served to configure a reality of *institutionalized immorality*, which is in contrast with the principles of a democratic regime and is the most lethal enemy of democracy. During the 1990s, governmental accountability remains under question. Even though the Fujimori administration established economic order at the macroeconomic level, the weakness of the balance of powers remains. The result is a high degree of personal decision-making power on the part of the President, and a situation in which it is difficult for the citizens to monitor the actions of the government through democratic institutions.

Fifth, with regard to the political parties as political actors, the political party spectrum in Peru from the 1960s to the end of the 1980s was dominated by three main political parties and, to a lesser degree, by leftist groups; however, by the beginning of the 1990s, they no longer represent the majority of the citizenry's political sentiments. *Acción Popular* (AP), founded in 1956, won the presidential elections of 1963 and 1980 with Fernando Belaúnde as its candidate. The two administrations of President Fernando Belaúnde Terry showed the inability of the AP party to solve the problems of the country. As a result, the message of AP no longer reached the citizens, and even the party members abandoned it to the point that by the elections of 1995 it had practically disappeared. The *Partido Popular Cristiano* (PPC) was founded in 1966. The PPC had an alliance with AP, and participated in both administrations of Fernando Belaúnde. In the elections for the Constituent Assembly of 1978, PPC obtained its highest level of votes. However, by the general elections of 1995, the party's support had declined to the point that it withdrew its presidential candidate following a poor showing in initial polls.

The *Alianza Popular Revolucionaria Americana* (APRA) party was founded in 1924, and even though it was a key political actor for more than 60 years, it only had a successful

presidential candidate in 1985 when Alan García was elected to the presidency. During and after the APRA administration, it was evident that the party and its ideology were incapable of articulating the demands of the diverse social groups that were in the party base and outside of the party. Further, the APRA party proved to be unable to propose concrete and viable alternatives for the country's most urgent problems in the 1980s. This is reflected in the results of the last general elections of 1993 and 1995. In this last general election the party's candidate obtained only slightly more than 4 percent of the vote. This shows that the APRA party is no longer the primary political power of the country.

Overall, the leftist movements in Peru had their most significant influence as an electoral force in the Constituent Elections of 1978. Since then, the tendency toward division and the formation of small parties has been a constant. The crisis of the movements of the left during the late 1980s was accompanied by the growth of *Sendero Luminoso* and the MRTA, movements that demonstrated more coherence between their ideological discourse and political practice. At the same time, most of the people came to identify the message of the left with the failure of APRA. In the general elections of 1995, IU, which is one of the main movements among the left, obtained only 0.57 percent of the votes.

Sixth, with regard to the insurgent movements, *Sendero Luminoso* and the MRTA became the most significant political actors of the 1980s in terms of the threat that they posed to the existence of the state; their activities contributed to the destruction of formal institutions and the creation of a vacuum in the political system that provided space for a new political regime to emerge. The delayed government response to the appearance of *Sendero Luminoso* in the early 1980s was a result of the centralized nature of the Peruvian political system. This delayed response let *Sendero Luminoso* grow and improve their military capacity and expand their organization. The weakness of the Peruvian state and the duality that exists in the country between the rural and the urban areas, fostered the conditions in which the insurgent group was able to develop to the point of destabilizing the country. *Sendero Luminoso* drew upon key elements in Peruvian society, such as an ethnically stratified population, a weak state, unorganized social sectors, and the country's reliance upon the international economy. Following the capture of the movement's leader, Abimael Guzmán Reynoso, in September 1992, *Sendero Luminoso* passed through a stage of recomposition of its commanding ranks. However, the long-term strategy of the group remains the same.

The MRTA was formed in the early 1980s as an alliance of several political groups. The development of the movement during the 1980s shifted from the political organization to the politico-military organization. The capture of the group's leader, Victor Polay Campos, and other high-ranking leaders of the organization, and the counter-terrorism strategy of the Fujimori administration narrowed the social bases of the movement. For this reason, the MRTA concentrated their political and military structure in the rural areas of the central part of the country and in the Upper Huallaga area. The group's main activity has been concentrated in dramatic actions, such as the December 1996 hostage taking that shocked the world.

By the mid-1990s, the counter-insurgency strategy of President Fujimori had achieved substantial gains. This resulted in the dramatic reduction in the number of insurgent activities and the feeling among the population that the country was close to achieving peace. However, the insurgent movements have not been eliminated and represent pockets of violence whose significance cannot be downplayed.

Seventh, in the period 1980-92, despite the presence of elections, competition, civil liberties, and government accountability, there were limitations to democracy in terms of each of the four variables outlined above. This implies that in the period under consideration, what really existed in

Peru was a "restricted democracy." The political parties as the principal political actors failed in their role as intermediary between the state and society. They provoked disenchantment among the citizens. The lack of full democracy and the failure of the political parties in the 1980s gave ground to the society's disillusionment with the existing system and to their search for other solutions, which they hoped to find from outside the traditional political system. For this reason, in the 1990s the citizens turned to a political outsider, Alberto Fujimori, and in general, to independent candidates. The presence of *Sendero Luminoso* and the MRTA in the decade of the 1980s represented the final element that contributed to the collapse of the polyarchic system of restricted democracy that existed throughout the decade. Their activities contributed to the destruction of the institutions and the creation of a vacuum in the political system that provided space for the emergence of the system of fiduciary democracy in the 1990s.

## CHAPTER V: THE EMERGENCE OF FIDUCIARY DEMOCRACY IN THE 1990S

This chapter analyzes the collapse of the Peruvian political system of the 1980s and outlines the characteristics of the emergence of fiduciary democracy as a new political regime in the country. In this context, the role of the military as an institution and the role of President Fujimori in the *autogolpe* of April 1992 are studied. The internal reaction to this event and that of the international arena are also examined. Finally, the chapter analyzes the reshaping of the Peruvian state, which gives substance to the regime of fiduciary democracy.

### A. The Rupture of the Polyarchy

In 1990 Peru celebrated its tenth anniversary of the reinstatement of a democratic system of government. In the preceding decade, the two main political parties, *Acción Popular* (AP), 1980-85, and *Alianza Popular Revolucionaria Americana* (APRA), 1985-90, enjoyed alternating periods of rule. These regimes, like most of the previous ones in Peru,

followed the "tragic cycle": demagogic promises; an initial period of populism or authoritarian paternalism; inattention to domestic roots of the economic, political, and moral crisis; an extreme drop in popularity; and the emergence of a new "democratic" or "dictatorial" government.

In 1990, the citizens of Peru elected to the presidency Alberto Kenji Fujimori Fujimori,<sup>169</sup> an engineer who was a virtual unknown in politics. Indeed, the winning candidate was not a political figure at all: he was not a member of any political party, he had no political platform, and his electoral campaign stood in sharp contrast to the display of economic power demonstrated by the other candidates.

Alberto Fujimori, armed only with the slogan "technology, honesty, and work" overtook the other candidates, including his main contender, Mario Vargas Llosa, who was leading the neoliberal revolution in the country, and won the election. In this way he initiated a new phase in the political life of Peru, one which has been characterized by violent events and frustrations as well as by hopes and aspirations.

---

<sup>169</sup>The personality of President Alberto Fujimori has been qualified as, among others, pragmatic, authoritarian, enigmatic, and cautious. A useful work is Luis Jochamowitz, *Ciudadano Fujimori: La construcción de un político*, 3rd ed. (Lima: Promoción Editorial Inca-PEISA, 1994).

## 1. The Prelude to the Autogolpe

In contrast to the second administration of Fernando Belaúnde and the administration of Alan García, when the presidents had absolute majorities in the Congress and the Congress was completely submissive to the executive power, President Alberto Fujimori did not have a majority in the Congress as it was composed in 1990. Despite this, the Congress initially took a cooperative stance toward him and passed Law Number 25327. Through this law, the President was given extraordinary powers according to Article 188 of the 1979 Constitution so that he could pass laws pertaining to investment promotion and job creation, and could seek solutions to eliminate insurgency and drug trafficking. More than 118 bills (*decretos legislativos*) regarding such aspects of the national life as the growth of private investment, the elimination of monopoly practices, the development of telecommunications, the stimulation of investment in housing, and pacification were passed.<sup>170</sup> However, most of these bills were later reviewed by the Congress in order to modify or revoke them. This signified the beginning of the conflict between the President and Congress.

---

<sup>170</sup>*Decretos Legislativos 1991: Texto sumulado y concordado de los Decretos Legislativos dictados al amparo de la Ley 25327* (Lima: Editora Perú, Diario Oficial El Peruano, 1992).

Since the beginning of 1991, President Fujimori took decisions designed to radically alter the structure of the Executive Branch. He forced into early retirement the high-ranking officials of the army and police, particularly officials who had served in high positions during the administration of Alan García. Similarly, he dismissed high-ranking officials of the foreign service and high-ranking officials of the public administration. In February 1991, he also dismissed members of his cabinet and high-level officials of the public administration who were on the left or sympathetic to their ideology.<sup>171</sup> On this occasion, he replaced his Minister of Economy, Juan Carlos Hurtado Miller, with Carlos Boloña Behr, a technocrat with a well-defined neoliberal position.

A growing conflict between President Fujimori and the Congress became increasingly evident after December 1991. There were several areas of discord that made the relationship between the two branches grow steadily more tense. Among them were the disagreement related to the high-ranking military promotions and that pertaining to a law limiting the prerogatives of the President. With regard to the former,

---

<sup>171</sup>Among those dismissed were Carlos Amat y León, Minister of Agriculture; Gloria Helfer Palacios, Minister of Education; Fernando Sánchez Albavera, Minister of Energy and Mines; Carlos Vidal Layseca, Minister of Health; Elias Mujica, National Institute of Culture; and Michel Azcueta, Peruvian Institute of Sports.

conflict arose between the President and Congress over the promotion of high-ranking officials of the armed forces. According to the law, the Executive Power is responsible for nominating for promotion the high-ranking officials, and the nomination must be approved by the Congress. The nominations for promotion put forth did not receive the level of Congressional support that had been expected, and several of the nominees were questioned. With regard to the second element, the Congress intended to approve a proposed a law designed to limit the prerogatives of the President.

These two areas of conflict were accompanied by an aggressive campaign led by President Fujimori, in which he characterized the Congress as inefficient, and accused the Congress of becoming an obstacle to the functioning of his administration. He went further to suggest that it was the Congress that was responsible for the crisis in which the country was engulfed. The stronger President Fujimori's attacks on the Congress, the more popular support the President received. As this tension continued to escalate, the impending confrontation became increasingly evident.<sup>172</sup> President Fujimori railed against Congress, accusing it of being ineffective and ignoring the public interest. He also

---

<sup>172</sup>For example, see the article "Fujimori, músculo y pechuga: Por qué preocupa? Y por qué gusta?" *Caretas*, 16 December 1991, 11.

constantly leveled strong criticism at Peru's traditional political parties which, according to him, were not representative of the people. At the same time, he indicated that if the judiciary did not solve its problems of corruption, bureaucratism, parasitism, and inefficiency, he would look for new mechanisms and parallel systems for the administration of justice, which he claimed were already in effect but in an informal fashion.<sup>173</sup>

It was not only President Fujimori who was concerned about corruption in the judiciary system. Among the media, apprehension also existed regarding the independence of the judicial branch. For example, *Diario Expreso* said "APRA intends to continue to govern the country through the Supreme Court and the Tribunal of Constitutional Guarantees. Is it possible to continue to tolerate this abuse? The time has come to ask for the resignation of all of these judges and appoint another Supreme Court and another Tribunal of Constitutional Guarantees, formed by judges who are not submissive or obedient to the orders of the political parties and who are honest."<sup>174</sup>

---

<sup>173</sup>"Se hará justicia por otras vías, dice Fujimori: Al criticar ineficiencia de poder judicial y plantear un sistema de arbitraje paralelo," *El Comercio*, 20 December 1991, A1.

<sup>174</sup>Editorial, "La dictadura de los jueces (apristas)," *Diario Expreso*, 15 March 1992.

During this period, President Fujimori made daily attacks on the Congress, the political parties, the judiciary, and other state entities, accusing them of putting "the brakes on popular desires and reflected the past, this pathetic Peru which was frustration and disenchantment."<sup>175</sup> As a consequence, state powers were described as inoperative, corrupt, and in many cases serving the interests of privileged groups. Members of the Congress and spokespersons of the political parties, whose image continued to decline in the eyes of the population, were able only to respond weakly to the accusations made by President Fujimori. Their responses were framed around a tired rhetoric that was empty of content. Moreover, commonly the responses of these forces were not put forward in a collective form, but rather they were made on an individual basis and were framed within the context of what would enable each politician to gain space for his own narrow political objectives or help him to establish a personal linkage with the Executive Branch. Rather than concentrate on the main problems of the country or respond to the issues regarding which they were accused, they responded by trying to discredit President Fujimori, denouncing the corruption of his

---

<sup>175</sup>Editorial, "Nadie tiene derecho a tirar la primera piedra," *Oiga*, 23 December 1991, 11.

close personal supporters and advisors.<sup>176</sup> While this conflict between the Congress and the President was underway, the majority of the population was more concerned about how to respond with individual survival strategies to the results of the economic adjustment program than they were about the tensions between the Congress and the President.

## 2. The Autogolpe

It was within this context that in a televised message on the evening of Sunday, April 5, 1992, President Alberto Fujimori announced his decision to dissolve the Congress, suspend the Constitution, and assume full powers as commander-in-chief of the armed forces. In his message to the nation, President Fujimori justified his decision by accusing the Congress of blocking his economic reforms and weakening his counter-insurgency strategy. He said, "The country should understand that the temporary and partial suspension of the existing legality does not represent the negation of real democracy. Rather, on the contrary, it is the initial point of the search for an authentic transformation that will assure a

---

<sup>176</sup>For example, President Fujimori's wife made the accusation that close relatives of the President had been selling clothes that had been donated through international aid. See the editorial "¿Quién socava la fuerza moral de la democracia?" *Diario Expreso*, 20 March 1992.

legitimate and effective democracy."<sup>177</sup> At the time of the televised message, the armed forces blocked access to the Congressional building and the Supreme Court and placed the presidents of the Senate and Chamber of Deputies of the Congress and key political leaders under house arrest.

President Fujimori temporarily instituted an Emergency Government for National Reconstruction.<sup>178</sup> The objective was an institutional reform oriented toward achieving an authentic democracy that would substantially raise the standards of living of the population and create the conditions for the better realization of their human potential.

To fulfill these objectives the government set the following goals:

- o to reform Peru's political constitution,
- o to eliminate corruption in the administration of justice and the institutions linked to it,
- o to modernize the system of public administration,
- o to pacify the country and fight drug trafficking directly, and

---

<sup>177</sup>President Fujimori's April 5, 1992 televised message to the nation. *Panamericana Televisión*.

<sup>178</sup>"Ley de bases del gobierno de emergencia y reconstrucción nacional," Decreto Ley N° 25418, 6 April 1992.

- o to promote the development of a market economy, decentralization, and the reorganization of social services.

At the same time the armed forces and the police officially declared their unanimous support for the decision of President Fujimori. This was because they considered that "to correct the institutional crisis of the legislative power and the judicial power, it is required it take immediate emergency measures in order to achieve the reconstruction of the country. We recognize that the procedures in the current legislation do not permit the elimination of the corruption, the inefficiency, and the interests of the small groups that are in charge of those institutions."<sup>179</sup> In this way, the armed forces were asking the citizens to promote decisive action in the task of national reconstruction and to support President Fujimori.

### 3. The Political Role of the Military

Since the decade of the 1950s, with the creation of the *Centro de Altos Estudios Militares (CAEM)*, the Peruvian Armed

---

<sup>179</sup>*Comunicado Oficial No. 001, Comando Conjunto de las Fuerzas Armadas, 5 April 1992. Published in the news daily El Comercio, 6 April 1992. This document was signed by General Nicolás de Bari Hermoza Ríos, Air Force General Arnaldo Velarde Ramírez, Admiral Alfredo Arnaiz Ambrossiani, and Police Lieutenant General Adolfo Cuba y Escobedo.*

Forces assumed a new role in the country through the doctrine of "new professionalism,"<sup>180</sup> which at the time was understood under the parameters of the doctrine of total war. The doctrine of total war implied the expansion of the role of the armed forces in politics. It was based on a conceptualization of war that: saw war as a continuation of peace, where the latter was preparation for the former; there was a decisive importance placed on non-military considerations, such as the economy; there were no differences between the civil and military spheres; and the state had the role of organizing and mobilizing the resources of the economy. In the decade of the 1960s, this conceptualization led to a focus that drew attention away from security conceived as protection from foreign forces toward security understood as protection from internal forces, through the counter-insurgency doctrine.

This change in focus among the armed forces was due to the failure of the armies of countries such as China, Algeria, and Cuba, which were defeated by internal insurgent movements. This suggested to the military institution the need to study the social and political conditions that foster the growth of revolutionary movements, as well as to find responses to confront the revolutionary movements' doctrines and their

---

<sup>180</sup>Alfred Stepan, "The New Professionalism of Internal Warfare and Military Role Expansion," in *Armies and Politics in Latin America*, ed. Abraham Lowenthal and J. Samuel Fitch (New York: Holmes and Meier Publishers, 1986).

military capabilities. Consequently, the education of new military officers had to include aspects of internal security issues, including social, political, and economic matters. This approach related the notion of internal security with the notion of national development.

Since the beginning of the 1960s, the perception of a domestic communist threat forced the military to think about the need for a centralized and hierarchical system that included all of the human and material resources of the country. This implied the need for a definition of the role of the military in the social, economic, and political areas. Taking into consideration this perspective, by the mid-1960s in the CAEM the high-ranking officials of the military, together with civilians, were discussing the most urgent problems of the country, such as inflation, agrarian reform, the financial system, and the educational system. By 1968, this discussion progressed to the point that the armed forces developed their own perspective on the concept of national development.

In the 1968 *coup d'état* led by General Juan Velasco Alvarado for the first time the military assumed power in Peru as an institution and with its own doctrine. This movement aimed to establish a society that was neither capitalist nor communist, that entailed the full participation of the people,

and in which the individual would not be exploited by the owners of the capital or by the state.<sup>181</sup> Even though this experience failed and power was transferred to civilian rule in 1980, the armed forces continued to develop their own doctrine of national development to the point that they shifted their approach toward a liberal perspective.

When the military left power in 1980, the military suffered a crisis of ideology and the exhaustion of its nationalist discourse because of the failure of its project. However, after the inauguration of civilian government in 1980, the military institution quickly recovered its influence over political affairs. There were several reasons for this. First was the 1981 conflict with Ecuador.<sup>182</sup> Because this event represented a threat to the national security, the armed forces could justify demands for a budget increase and show the citizens the importance of the military to the well-being of the country. Second was the growing presence of *Sendero Luminoso*. The group's attacks were directed not only at police

---

<sup>181</sup>Instituto Nacional de Planificación, *Plan de desarrollo del Perú*, 1972.

<sup>182</sup>In this border incident known as *Falso Paquisha*, which lasted only a couple of weeks, Peru discovered that Ecuadoran troops had penetrated into Peruvian territory and located military forts. President Fernando Belaúnde ordered the armed forces to push out the invading forces, producing a military confrontation that ended with the expulsion of the Ecuadoran forces.

forces but also at military installations, which made the military institution demand a significant role in the counter-insurgency war. Third, the armed forces justified a continuing political role because the military was one of the few institutions that had a consolidated structure and a long-term vision for the country.

Even though these elements pushed the armed forces to participate more in political affairs, in the period 1980-92 there were two aspects that diminished the image of the military and its capacity as an institution. First, the military suffered from the lack of a counter-insurgency strategy of President Fernando Belaúnde and of President Alan García. This resulted in a growing sentiment of mistrust and disrespect for the military institution, brought about principally by military involvement in presumed violations of human rights. Second, the economic crisis provoked by the failure of the economic policies of the administrations of President Belaúnde and President García led to reductions in the defense budget to the point that salaries had to be cut, promotions were impeded, and the processes of modernization within the military were postponed. These two elements made the armed forces understand by the end of the 1980s that the two most important short-term problems of Peru were the fight against the insurgency and the ordering of the economy. They concluded that the solution to these problems required the

direct presence of the military institution in the political affairs of the country.

The new military mentality of the 1990s reconceptualized the concept of a country's power. Under this new notion, a country's power is measured by its presence in the international market and not necessarily with reference to border designations. Under this conceptualization, a country's power is measured not only by the size of its stock of armaments but also by its capacity to organize a modern and efficient economy oriented toward foreign trade and its ability to finance a potential conflict.<sup>183</sup>

The country had reached such a state of chaos by the beginning of the 1990s, that, as was suggested by the media, the military institution threatened to assume direct power prior to President Fujimori's inauguration on July 28, 1990. According to various media sources, the intention of the armed forces was "to dissolve the executive and legislative branches so that the armed forces, institutionally, would assume the management of the state, with the end of reverting the current political, economic, and social situation, whose deterioration threatens to destroy the system and the tutelary institutions

---

<sup>183</sup>The closest example to their conceptualization in Latin America is the neoliberal economic program developed and applied by the Chilean military institution during the period 1973-90.

of the Republic."<sup>184</sup> However, the armed forces ended up accepting the election of President Fujimori and recognizing the continuation of the civilian regime. In fact, a sector of the armed forces decided to work closely with President Fujimori in order to put in practice their plans with his participation. The manifestation of this decision was the *autogolpe* of April 5, 1992.<sup>185</sup>

The *autogolpe* served a reciprocal function for President Fujimori and for the armed forces: it would not have been possible without the support of the armed forces, and it permitted the armed forces to participate more directly in national politics. In addition, the *autogolpe* enabled the enhanced management of information and afforded the armed forces greater autonomy in the management of the counter-

---

<sup>184</sup>See, for example, "Historia de una traición: Muchos misterios quedarán revelados al conocerse el plan military que se consolidó el 5 del abril de 1992," *Oiga*, 12 July 1993.

<sup>185</sup>According to General Jaime Salinas Sedó, who led a failed *coup d'état* against President Fujimori on November 13, 1992, it was only one sector of the armed forces that took the initiative for the *autogolpe*. This sector was directed by the General Commander of the Armed Forces, General Nicolás de Bari Hermoza, and the National Intelligence Service (*Servicio de Inteligencia Nacional-SIN*), at the time directed by Edwin Díaz, whose advisor was the lawyer Vladimiro Montesinos. This group later consolidated their power with President Fujimori with the intention to govern the country for the next 15 years. See Jaime Salinas Sedó, "Así fue el intento para recuperar la democracia," in *En defensa de la constitución y el honor del ejército: 13 de noviembre de 1992*, ed. Francisco Landa V. (Lima: Grupo de Periodistas para la Democracia, 1993).

insurgency war. Further, it increased access to the national budget to improve economic conditions within the ranks.

After the *autogolpe*, the privileges of several military leaders increased with regard to national politics. However, this was not true in institutional terms. President Fujimori's strategy was based on a close relationship with a particular group of military leaders and not on a fluid relationship with the military institution itself. However, questions remain regarding the true relationship between President Fujimori and the armed forces. Does he plan to share power with the armed forces? Does he intend to control the military forces and concentrate power for himself? Is he himself under the control of the armed forces, or does he represent a branch of the institution? These questions notwithstanding, the military institution and President Fujimori share a liberal economic approach, which has set the foundations for the economic program currently in practice in the country.

#### **4. The Internal and International Impact**

Reaction to the *autogolpe* was mixed. For the most part, the population supported the measure taken by President Fujimori. The international community issued a weak condemnation of the move. Contrary to what most had expected, especially the politicians, the citizens did not rush to the

streets to defend the rule of law or even to protest. Instead they went out to applaud President Fujimori for closing the Congress. As reported by the media, the President took everyone by surprise when he walked through the center of Lima on foot and extended his hand to those who applauded. He was greeted with demonstrations of sympathetic applause and the support of people who approved of his decision to dissolve the Congress temporarily in order to reform the Constitution and reorganize the legislative and judicial powers.<sup>186</sup> According to a survey conducted by the Lima-based polling agency Apoyo, the highest level of support for President Fujimori during his first 21 months in power was immediately following the *autogolpe*.

Table 39. Public Approval of President Fujimori

	(percentage)			
	January	April	August	December
1990	-	-	46	61
1991	43	49	39	60
1992	65	* 81	62	64

\* After the *autogolpe* of April 5, 1992

Source: Apoyo, S.A.<sup>187</sup>

<sup>186</sup>"Fujimori aplaudido en Lima," *El Nuevo Herald*, 8 April 1992, 1A.

<sup>187</sup>Alfredo Torres, "¿Cuánto durará la popularidad?" *Revista Debate*, March/May 1993, 15-17.

Despite the support of the citizenry, the political parties and their representatives persisted in their attempt to show that the *autogolpe* of President Fujimori responded more to his authoritarian ambition than to problems of a more profound nature. However, as the lawyer Francisco Eguiguren suggests, "a serious or real situation of 'ungovernability,' blockage, or instability, generated by the Congress's systematic blocking of governmental policy did not exist in the country. Nor did Peru need a new Constitution, but no political or academic sector had formulated this position; at least they could have established some timely reforms to correct for certain deficiencies which became evident in the application and enforcement of the 1979 Constitution."<sup>188</sup>

This view of the situation of Peru compliments the broad view held by those such as Peruvian historian Pablo Macera, who pointed out, "it is very possible that beyond the intentions of the visible and immediate actors, we have initiated a final phase of definition, not so much of a political regime, but rather, of a style of society and of culture."<sup>189</sup> Both of these views are basically saying the same

---

<sup>188</sup>Francisco J. Eguiguren P., "Las relaciones entre gobierno y parlamento en el Perú," *Contribuciones* (Buenos Aires), no. 1 (1995), 137.

<sup>189</sup>Oscar Fernández Orozco, "A propósito del Fujigolpe: Entrevista a Pablo Macera," *Revista Debate*, March/May 1993, 8.

thing, but on different levels: what existed in Peru was not the need for a new Constitution or a new Congress; what existed was the need for the members of the social, political, and economic sectors to mobilize to address the very real problems of governability and representation in the country.

President Fujimori personally assumed the responsibility for the decision to take the actions that were taken, and he explained the necessity of his decision to the citizens. "I reflected a thousand and one times about the same matter: to close the Congress and reorganize the judiciary would be understood as a real attack against formal democracy, against the rule of law. Maybe the world would not understand me. The hand of the manipulative press perhaps would limit itself to judging the act before recognizing that in Peru never before, and this we should engrave in our memory and in our consciences, never before, I said, was there true democracy. The step was taken and here we are."<sup>190</sup> Even if his decision did not meet with the acceptance of all citizens, the overwhelmingly positive reaction enabled him to proceed with his political reform program.

The international community initially condemned the President's measures and demanded a rapid return to democratic

---

<sup>190</sup>President Fujimori's speech given at the closing of the 30th *Encuentro anual de ejecutivos CADE '92*, Ica, Peru, 6 December 1992.

normality. The U.S. government appeared to lead the rejection of the decision taken by President Fujimori. President Bush declared that he was in favor of mobilizing international pressure to achieve a return to democratic normality. He said, "we cannot stand here with our arms crossed and not demonstrate our fervent disapproval over the abortion of democracy in Peru."<sup>191</sup> Similarly, U.S. Secretary of State James Baker said, "the actions taken by President Fujimori, whatever the justification given, are unjustified. They represent an assault on democracy that cannot and will not be supported by the United States of America."<sup>192</sup> As a consequence of President Fujimori's decision, the U.S. government suspended military assistance and most economic aid to Peru, including the balance of payments aid linked to anti-narcotics objectives and expanded alternative development assistance. Aid from the U.S. International Narcotics Matters Bureau continued at a reduced level.

Despite sharp public condemnation, the Bush administration found itself in a dilemma. On the one hand, the U.S. government wanted to pressure the Fujimori administration

---

<sup>191</sup>"Fuentes de EU: OEA no sancionará a Perú," *El Nuevo Herald*, 11 April 1992, 8A.

<sup>192</sup>Secretary of State Baker's address before the Organization of American States (OAS) in Washington, D.C. on 13 April 1992. Reported in the *U.S. Department of State Dispatch*, 20 April 1992, 309.

by threatening to abandon aid to Peru and institute sanctions to isolate the country from the international community. It was feared, however, that this position might open the way for a victory for *Sendero Luminoso* and place Peru in a chaotic situation, endangering the success of anti-narcotics policies. On the other hand, the Bush administration could have publicly condemned the anti-constitutional decision of President Fujimori while, with the imposition of certain minimal conditions, continuing to support him in his efforts against illicit trafficking in cocaine, his war against terrorism, and his economic reform program. Finally, the Bush administration decided in favor of the latter option. In July 1992, the Peruvian government signed an agreement under which the U.S. government would provide financial support for Peruvian law enforcement efforts.<sup>193</sup> In a similar manner, international financial institutions continued to support the reform program of President Fujimori, and the private international business community strongly advocated for the leadership of President Fujimori and his economic program. According to Baring Securities, President Fujimori's measures of closing the

---

<sup>193</sup>U.S. Department of State, Bureau of International Narcotics Matters, *International Narcotics Control Strategy Report*, April 1993.

Congress were justified due to widespread corruption and his inability to further his comprehensive reform program.<sup>194</sup>

The Secretary General of the Organization of American States (OAS), João Baena Soares, called for the convocation of the Political Council of the OAS to address the case of Peru. The theater of conflict in the international arena was transferred to this institution, which dictated sanctions similar to those imposed on Haiti under similar circumstances. On May 18, 1992 its Assembly of Diplomats received President Fujimori, who, after explaining his decision, requested that they observe the situation more carefully and that they not forget that Peru was a country that had been devastated by 50 years of the irrational use of power beneath the false mask of a democracy. He said, "I ask respectfully that you examine the antecedents of my government and the aspirations and sentiments of the Peruvian people, so that the efforts that this organization performs today do not end up benefitting a system that is democratic only in name." President Fujimori further stated that, "in reality, what is at play in Peru is not the existence of democracy, but rather the dictatorship of the 'partyocracy'."<sup>195</sup> President Fujimori's personal presence

---

<sup>194</sup>See Baring Securities, *Peru: Rediscovering the Trail to Prosperity* (London: Baring Securities, 1993).

<sup>195</sup>Speech by President Alberto Fujimori at the assembly of Ministers before the OAS in Nassau, Bahamas, on May 18, 1992, cited in the special supplement to the official newspaper, *El*

at the OAS meeting served to soften their approach toward a negotiated solution. Fujimori committed himself to the restoration of democracy; he promised, among other things, to hold elections for the formation of a Democratic Constitutional Congress (CCD) under OAS supervision.

The formal commitment adopted by President Fujimori before the OAS and the organization's implicit acceptance of his actions gave him the necessary leeway to return to negotiations with the international financial organizations and prevent the diplomatic isolation of the country. The opposition tried to act on the domestic front by refusing to recognize Fujimori's authority; they declared the presidency of the republic vacant and swore in the Vice-President, Máximo San Román, as President. He and the opposition were unable to articulate a platform that presented a viable solution to the crisis, and they were unable to attain the support of the people.

The OAS played the role of mediator between the opposition and President Fujimori. In order to agree to negotiate with President Fujimori, the opposition insisted that the clock be turned back to the institutional legitimacy that existed before April 5, 1992. President Fujimori insisted on a timetable for the achievement of a "real democracy," and

---

*Peruano*, 28 July 1992, 20.

on the calling of elections for the Democratic Constitutional Congress (CCD). In this way, Fujimori was able to mitigate international pressure and, with the joint support of the population and the armed forces, consolidate his position and move forward with his economic reform plan.<sup>196</sup>

### **B. Configuration of New Polyarchy**

In the political timetable for the return to institutional democracy that President Fujimori committed himself to fulfill, the following were considered: elections for the formation of the CCD, which replaced the dissolved Congress, previously comprised of the Senate and the Chamber of Deputies, with 60 and 180 members, respectively; and municipal elections to renew the mandate of the country's mayors.

#### **1. Changing the Rules**

In August 1992, the government called the election for the CCD, emphasizing the elaboration and approval of a new political constitution and the installation of full institutional democracy within a new organizational framework

---

<sup>196</sup>The continuation of the economic reform plan was articulated in President Fujimori's address to the nation on 28 July 1992. Reported in the official newspaper *El Peruano*, 29 July 1992.

as its fundamental goals. The CCD was given legislative and supervisory powers. The new Congress, composed of a single Chamber of 80 members, was to be sovereign and autonomous before the other powers of the state.<sup>197</sup>

The pre-electoral process took place in the midst of ample press freedom, a serious economic recession, and the threat of *Sendero Luminoso*, which was seeking to gain legitimacy. There was a generalized apathy on the part of the citizenry, who, weary of political rhetoric, did not participate with the enthusiasm characteristic of earlier elections.

The capture of the leader of *Sendero Luminoso*, Abimael Guzmán Reynoso, and of a large part of the movement's leadership on September 12, 1992, drastically changed the course of events. It evidenced the success of the new counter-insurgency strategy and of the special police force of the National Antiterrorism Directorate (*Dirección Nacional contra el Terrorismo-DINCOTE*). The result was a collective sigh of relief among Peruvians, and a renewed hope that the state could actually defeat the insurgent threat. As a consequence, President Fujimori's popularity increased, and his party's success in the CCD elections became a virtual certainty.

---

<sup>197</sup>"Ley de elecciones para el Congreso Constituyente Democrático," Decreto Ley N° 25684, 20 August 1992.

On the international front, the capture of the leader of *Sendero Luminoso* not only generated support for the Fujimori government but also promoted greater tolerance and understanding for his actions. This is exemplified through the declarations of Senator Robert Torricelli, president of the U.S. Sub-Commission on Hemispheric Affairs of the House of Representatives, who said: "Now that the Shining Path has been debilitated—albeit temporarily—President Fujimori must use this historic opportunity to develop a comprehensive strategy to defeat the Shining Path...If the Peruvians can unite around a presidential strategy to defeat the Shining Path, then the international community must prepare itself to support him. We must ask Peru how we can help and not debate about whether we should help."<sup>198</sup>

Another aspect that characterized this period was the implicit domestic acceptance and the international backing of President Fujimori's economic program. This was in sharp contrast with the Peru that existed at the end of President Alan García's government, which had been shunned by the international financial community and devastated by an economic crisis unprecedented in the economic history of the country this century. President Fujimori developed a strategy

---

<sup>198</sup>Humberto Campodónico, "Las relaciones Perú-EE.UU: Dos audiencias polémicas," *Quehacer*, September-October 1992, 28.

to achieve reinsertion into the international community based on an economic program guided by the International Monetary Fund (IMF).

The implementation of this program required an extraordinary effort on the part of the Peruvian people and achieved the approval of the international financial community, as noted by the IMF itself.<sup>199</sup> Even so, there remained sectors in Peru that sought substantial changes in the management of the country's economic policies, because of high levels of unemployment and the decrease in real salaries.<sup>200</sup> However, continuity in the management of the economic program and the structural reforms that it implied and the pacification of the country constituted President Fujimori's best bargaining chips vis-a-vis international organizations for the maintenance of his stability.

It was within this context that on November 22 the alliance *Cambio-90/Nueva Mayoría*, supported by President Fujimori, obtained a clear majority in the elections for the CCD. They attained an absolute majority in the new Congress,

---

<sup>199</sup>"Peru's Economic Reform Program Yields Positive Results," *IMF Survey*, 2 March 1992, 72-80.

<sup>200</sup>Among the main critics of the country's economic policies are Javier Iguíñiz and Adolfo Figueroa, who was advisor to President Fujimori in the early months of his first administration. See Gonzalo Portocarrero and Marcel Valcarcel, *El Perú frente al siglo XXI* (Lima: Pontificia Universidad Católica del Perú, 1995).

with 44 of 80 members. The most important political parties such as APRA and AP did not participate in this process. Another 18 parties and political movements, including the PPC, *Solidaridad y Democracia* (SODE), and *Frente Independiente Moralizador* (FIM), did partake of the elections. The results were interpreted as the virtually total support for President Fujimori, because during the electoral campaign there were no debates about the actual programs or alternative policy proposals and/or significant challenges to his leadership.

The results of the elections for the CCD were the following:

Table 40. Results of the CCD Elections

List	Percentage
Cambio-90/Nueva Mayoria	49.3
PPC	9.7
Renovacion	7.1
FIM	7.1
MDI	5.5
<u>Others</u>	<u>20.3</u>
<b>Total</b>	<b>100.0</b>

Source: *Jurado Nacional de Elecciones*

President Fujimori's triumph signified a new defeat for *Sendero Luminoso*, which had tried to impede the elections, as well as for other political and military sectors that, on

November 13, 1992, had tried to remove him by staging a *coup d'état*.<sup>201</sup>

President Fujimori also achieved the tacit approval of the OAS, which acted as an observer of the process. The Secretary General of the OAS, João Baena Soares, noted that the electoral process proceeded satisfactorily and "permitted the citizens to express themselves freely even under conditions of uncertainty."<sup>202</sup> Moreover, Luigi Einaudi, the U.S. Ambassador to the OAS and a member of the commission of 250 OAS observers who supervised the operation and corrected the flaws in the electoral process, indicated that the results of the election reaffirmed the Peruvian people's rejection of terrorism.<sup>203</sup>

However, the initial actions undertaken by the new CCD, under the direction of its president, Jaime Yoshiyama, leader of the *Cambio-90/Nueva Mayoría* alliance, were criticized by the opposition and some political observers who suggested that "two weeks before its installation the CCD ha[d] been revealing the same weaknesses that Fujimori used as an

---

<sup>201</sup>A group of military officials, both on active duty and retired, headed by General Jaime Salinas Sedó, tried to depose President Fujimori in order to re-establish the system that existed prior to April 5, 1992. The plot was discovered, and those presumed responsible were put on trial and convicted by military courts.

<sup>202</sup>*El Comercio*, 15 December 1992, 1A.

<sup>203</sup>*El Peruano*, 22 November 1992, 1.

argument to close the Congress elected in 1990: unworkability, futility, inflated salaries that generate public disapproval. It is simply that this self-controlled CCD does not have the slightest desire to act as a branch of the state."<sup>204</sup> The CCD, under the majority of *Cambio-90/Nueva Mayoría*, was criticized by the opposition political parties and movements for its unwillingness to work in a consensual manner or to take into consideration the perspectives of the minority members of the CCD.

The timetable for the return to institutional democracy also included municipal elections at the national level. These took place on February 29, 1993. All of the political parties and movements participated in these elections. While President Fujimori did not present his own candidate in Lima and in the main cities, he did support independent candidates.<sup>205</sup> As a consequence, the results of these elections, although not strictly political, permit an evaluation of the situation of the Peruvian political system.

In Lima, which represents one third of the population of Peru, the results were as follows:

---

<sup>204</sup>Mirko Lauer, "A Fujimori el año 1993 se le está agriando rápido," *Sí*, 18-24 January 1993, 15.

<sup>205</sup>Initially, the government supported the candidacy of Pablo Gutierrez, the former mayor of the Lima district of Chorrillos, for the province of Lima. However, two weeks before the elections this candidate backed out of the election.

Table 41. Municipal Elections 1993  
Lima Province

List	Percentage
Movimiento Obras - Ricardo Belmont	44.3
Lima 2000 - Luis Caceres	28.4
AP - Raul Diez Canseco	8.1
Plataforma Democratica - Michel Azcueta	4.2
APRA - Luis Alvarado	3.5
PPC - Carlos Neuhaus	2.2
Others	9.3

Source: *Jurado Nacional de Elecciones*

Ricardo Belmont was re-elected and his political movement, *Movimiento Obras*, obtained the largest number of mayors of the districts of Lima. However, the most notable aspect of the results, which reflected the same tendency as in the rest of the country, was the triumph of the independents, who displaced the traditional parties. The candidates of the *Cambio-90* movement were defeated, with the exception of the candidate in the city of Tacna. These results demonstrate a change in the electoral map of Peru. They reflect a loss of the "captive electoral audience" for the large political parties and the electorate's rejection of political parties and the preeminence of their candidates.<sup>206</sup>

<sup>206</sup>This situation has been described as a form of "new corporatism." As stated by Philippe Schmitter, "Corporatism can be defined as a system of interest representation in which

This process, which also included the presence of the OAS as observer, was characterized by the massive participation of the citizenry. The exception was with reference to those in the "emergency zones," like the city of Ayacucho, where an independent candidate won with 14.6 percent of the valid votes, with a high rate of absenteeism (52.4 percent), and null and blank votes (44.2 percent and 4.8 percent, respectively).<sup>207</sup>

Similar to the traditional political parties, the government was not particularly successful in the elections. However, the interest of the government was not to win the elections but rather to evidence an image of legitimacy, particularly in the international sphere. Holding the elections was sufficient to fulfill this requirement and to comply with the stipulations of the OAS outlined in May 1992.

---

the constituent units are organized into a limited number of singular, compulsory, noncompetitive, hierarchically ordered and functionally differentiated categories, recognized or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supporters." For a more thorough discussion, see Peter F. Klarén, "Lost Promise: Explaining Latin American Underdevelopment." in *Promise of Development: Theories of Change in Latin America*, ed. Peter F. Klarén and Thomas J. Bossert (Boulder, CO: Westview Press, 1986), 28-29.

<sup>207</sup>*El Comercio*, 30 January 1993, 1.

## 2. Consolidation of a New Model

The Constitution put into effect by referendum on October 31, 1993, was a product of the efforts and planning of the government of Alberto Fujimori. In contrast to the 1979 Constitution, which was a result of transactions between APRA, the PPC, and, to some degree, the political left, the 1993 Constitution was the first to permit popular participation through referendum to approve it.

Among the areas affected by the changes between the 1979 Constitution and the one that was approved in 1993 are the following: presidential re-election; legislative power; the death penalty; state enterprise activity; investment; social security; job stability; and agrarian property. These differences are discussed below.

With regard to presidential re-election, according to the Constitution of 1979, the presidential term ran for five years, and in order to be re-elected, at least one presidential period would have had to pass (article 205). In the 1993 Constitution, the presidential mandate is also for five years. However, it states that the president can be immediately re-elected for one additional term (article 112).<sup>208</sup>

---

<sup>208</sup>There is controversy regarding the interpretation of this article that permits re-election. The supporters of President Fujimori argue that it does not apply to his first presidential term, which was under the 1979 Constitution, and

The 1979 Constitution stated that legislative power resided in the Congress, comprised of two chambers: the Senate, with 60 members, and the Chamber of Deputies, with 180 members (articles 164, 166, and 167). The Constitution of 1993 also states that legislative power resides in the Congress. However, in the 1993 Constitution, the Congress is composed of one chamber, formed by 120 members. Candidates for the presidency cannot be on the list of candidates for Congressional representatives in the same election (article 90).

According to the Constitution of 1979, there was no death penalty except for treason in times of war with another country (article 235). In the case of the 1993 Constitution, the death penalty is applied for treason in times of war and for terrorism, according to the laws and treaties to which Peru subscribes (article 140).

In reference to state enterprise activity, the 1979 Constitution granted the state the right to engage in economic activity in order to promote the development of the country (articles 113 and 114). In contrast, under the 1993 Constitution the state can only engage in business activity in subsidiary form, and only for reasons of public and national

---

that he can run for his second term under the 1993 Constitution in 2000. The opposition argues the contrary.

interest. Both public and private enterprise activity receive the same legal treatment (article 60).

Regarding investment, the 1979 Constitution stipulated different treatment of national and foreign investment. The state had to authorize registration and supervision of foreign investment and the transfer of technology (article 137). In the Constitution of 1993, there is no difference between the treatment of national and foreign investment (article 63).

Social security was obligatory and monopolized by the state through the social security system, according to the 1979 Constitution (article 14). In the Constitution of 1993, it is determined that social security and pensions can be granted through public, private, or mixed institutions (article 11).

In the Constitution of 1979, the state recognized a responsibility to provide job stability. Firing could only be for causes for which the law provided (article 48). In the Constitution of 1993, job stability does not constitute an absolute right. In the cases of arbitrary dismissal, the law says that protection will be administered through indemnization or placement (article 27).

With regard to agrarian property, the 1979 Constitution demanded direct administration of rural property. It did not permit the renting of land in the agrarian sector (article 157). In contrast, in the Constitution of 1993, restrictions

and prohibitions on agrarian property can only be temporarily established for national security reasons (article 72). The 1993 Constitution also guarantees ownership of the land in private, communal, or associative form (article 88).

In sum, in relation to the 1979 Constitution, the 1993 Constitution evidences the main tendencies of the new neoliberal perception of the state and the economy. This Constitution established the legal environment in which the regime of fiduciary democracy emerged.

This new Constitution was put forth in a referendum with the backing of the government and the rejection of the opposition, headed by the leaders of the traditional political parties. On October 31, 1993, the results of the referendum favored the approval of the Constitution by a small margin.

Table 42. Results of the Referendum  
of the Constitution of 1993

	Percentage	Voters (□000s)
"Yes" Votes	31.80	3,672
"No" Votes	29.02	3,351
Null and Blank Votes	9.92	1,145
Absenteeism	<u>29.26</u>	<u>3,377</u>
Total	100.00	11,545

Source: *Jurado Nacional de Elecciones del Perú*

The results of the referendum that approved the Constitution of 1993 can be viewed as another failure of the political parties and their leaders, who supported the "no" vote. This was partially because no viable alternatives were presented by the political parties and their leaders in the dialogue leading up to the referendum. The "yes" vote did not constitute a clear backing for President Fujimori, but rather a response of mistrust and lack of confidence in the traditional politicians.

One of the significant outcomes of the referendum was the high level of absenteeism (29.26 percent). This signified the lack of importance that the citizens placed upon the Constitution. A possible explanation for this could be that the previous Constitutions did not have a significant impact on the daily life of the citizens. As one urban informal seller stated, "I don't understand why the politicians fight

for the Constitution. You tell me that in the last 30 years there have been three constitutions, but the things remain the same—even worse. Why should I care what the Constitution says, if everybody knows that almost nobody obeys the law? That's why I didn't go to vote in the referendum."<sup>209</sup>

Despite the fact that the vote is obligatory and its omission is economically penalized, this percentage of absenteeism is slightly larger than the "no votes" (29.02 percent) and slightly smaller than the "yes votes" (31.80 percent). As evidenced through the null and blank votes, approximately 40 percent of the citizenry did not express an opinion about the new Constitution. The electoral apathy shown by the citizens is a result, among other aspects, of the perception that this Constitution, as those that preceded it, would have no significant influence regarding the solution to their immediate problems.

The results of the elections for the CCD in 1992 constituted direct support for President Fujimori; the favorable results of the elections for the constitutional referendum in 1993 allowed Fujimori to set in place the "new rules of the game." Both of these electoral victories served as a base for President Fujimori to reorient his strategy and obtain the significant triumph of April 1995.

---

<sup>209</sup>Pedro Callo, a 60-year old informal urban seller, interview by author, Lima, December 1995.

President Fujimori's 1995 campaign discourse represented a frontal attack on the traditional political parties. He blamed the political parties and traditional politicians for having brought the country to an unprecedented economic crisis and having allowed the insurgency to grow to the point that it placed in risk the security of the country. The traditional politicians, now of the *Unión por el Perú* (UPP) party headed by Javier Pérez de Cuellar, signified for the citizens the same option as had been represented by the political parties of the past. They were unable to articulate a viable alternative to the proven track record of the administration of Alberto Fujimori.

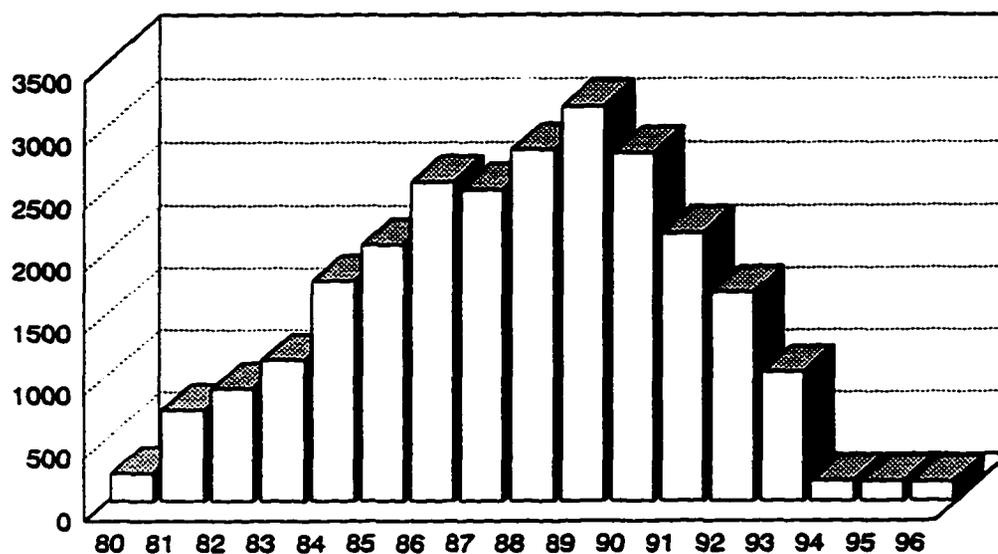
President Fujimori created the sensation of stability and progress principally on the basis of three elements: his administration's successful counter-insurgency strategy; his administration's control of hyperinflation; and the re-initiation of economic growth in the country. The first element upon which the campaign was focused was the relatively successful counter-insurgency policies. There was the perception of restoration of political order following the 1992 *autogolpe*.<sup>210</sup> This perception among the citizenry was based not only in the capture of Abimael Guzmán, but also in

---

<sup>210</sup>Susan C. Stokes, "Democratic Accountability and Policy Change: Economic Policy in Fujimori's Peru," *Comparative Politics* 29, no. 2 (January 1997), 222.

the significant decline in the number of attacks perpetrated by the insurgent groups, as is shown in Figure 2:

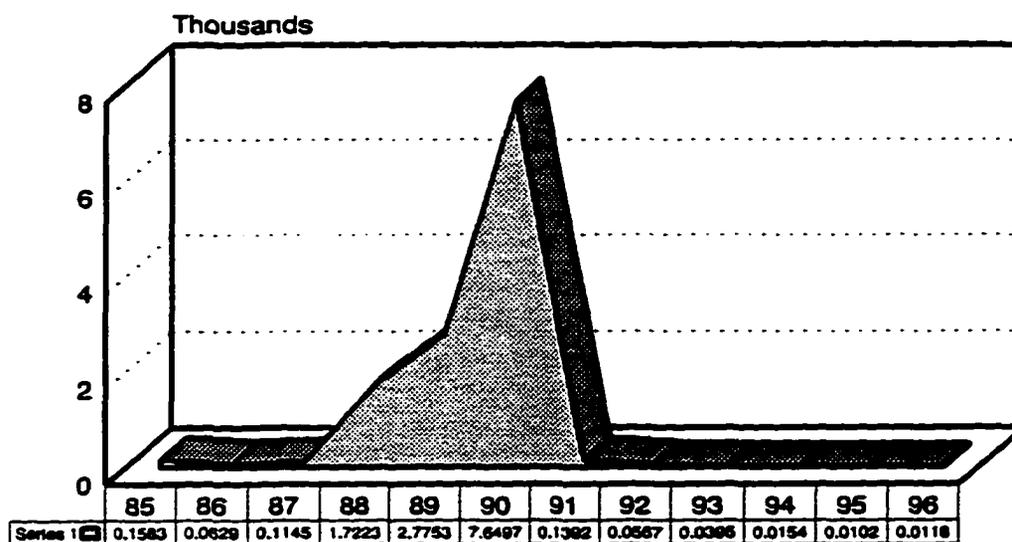
Figure 2. Insurgent Attacks 1980-94.



Source: Instituto de Defensa Legal, Lima.

The second element upon which the campaign was focused was the Fujimori administration's substantial achievements in controlling hyperinflation. Control in this area was significant because of the traumatic effects of hyperinflation on the country during the late 1980s. In 1990, the rate of inflation was 7,649.7 percent. It was dramatically reduced to 15.4 percent in 1994 and 10.2 percent in 1995, as is shown in Figure 3 below:

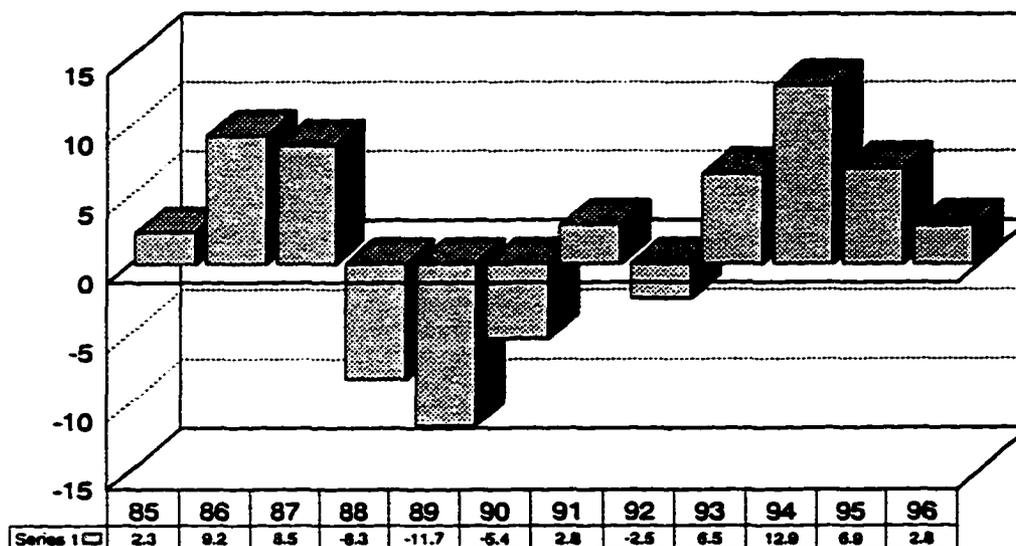
Figure 3. Peruvian Inflation 1985-96  
(Annual Percentage Variation)



Source: Instituto Nacional de Estadística e Informática.

The third element upon which the campaign was focused was the end of the period of recession and the re-initiation of economic growth in the country. The economy grew by 12.9 percent in 1994, which was the highest growth rates in Latin America that year and one of the highest rates of growth in the world. See Figure 4 below.

Figure 4. Peruvian GDP 1985-96  
(Annual Percentage Variation)



Source: Instituto Nacional de Estadística e Informática.

Even though President Fujimori was applying a neoliberal economic reform program, to support his re-election campaign he intensified the application of what have been considered to be a series of populist measures through public works programs. These measures included improvements in schools, local health clinics, water delivery, and sanitation infrastructure in the most impoverished sectors of the country. As Kenneth Roberts points out, "populism can adapt to the neoliberal era and...is not defined by fiscal profligacy; indeed, even when constrained by fiscal austerity and market reforms, personalist leaders have discovered

diverse political and economic instruments to mobilize popular sector support when intermediary institutions are in crisis."<sup>211</sup> These populist actions served to create a sensation of hope among the most poor and abandoned sectors of the country that had never received attention from the state.

In the elections of 1995, Alberto Fujimori defeated Javier Pérez de Cuellar, the leader of the *Unión por el Perú* (UPP) movement, in the first round of the elections with 64.42 percent of the valid votes. He attained a higher percentage of the votes than he had received in the second round of the 1990 elections, when he defeated Mario Vargas Llosa for the presidency. The triumph of President Fujimori<sup>212</sup> can be explained in part because the political parties, particularly the UPP headed by Pérez de Cuellar, and their leaders were incapable of proposing a viable and attractive alternative for the voters. The success of President Fujimori's strategy is evidenced by his victory in all of the departments of the country, including in those departments

---

<sup>211</sup>Kenneth M. Roberts, "Neoliberalism and the Transformation of Populism in Latin America: The Peruvian Case," *World Politics* 48 (October 1995), 83.

<sup>212</sup>The 1995 triumph of President Fujimori took place through a process considered free and fair, but with some concerns that did not challenge the nature of the process and the main results. See the March 1995 Delegation Report of the Latin American Studies Association entitled *The 1995 Electoral Process in Peru*.

in which the constitutional referendum had not been approved.<sup>213</sup> In contrast to the results of the constitutional referendum, in the provinces of the poor highlands of the country, President Fujimori obtained a larger proportion of the votes than he received in Lima.

In the Peruvian capital, where one third of the population is concentrated, President Fujimori won in all social strata, in particular, in the popular districts. Where his success most notably challenged the political parties was the failure that the APRA candidate suffered against President Fujimori. This was evidenced even in places where an APRA candidate had never lost an election, such as in the departments of La Libertad and Lambayeque.<sup>214</sup>

It is clear that the electoral triumph of April 1995 was a victory for President Alberto Fujimori himself, and not necessarily for the electoral alliance *Cambio-90/Nueva Mayoría*. Rather than constituting a political party, the alliance was a electoral movement. President Fujimori never intended for it to become a political party because he

---

<sup>213</sup>The departments in which the 1993 referendum was not approved were as follows: Amazonas, Apurímac, Cajamarca, Cuzco, Huancavelica, La Libertad, Lambayeque, Loreto, Madre de Dios, Moquegua, Piura, Puno, Tacna, and Tumbes.

<sup>214</sup>This area is known as the *solido norte* (solid North), because it is the area where the APRA party was developed and where its strongest base exists.

rejected the political parties that existed in Peru and because *Cambio-90* was created as a social and political movement to bring the Peruvian people together in order to bring about the transformation of the country.<sup>215</sup> This suggests that his actions did not follow any type of collective direction of the movement *Cambio-90/Nueva Mayoría* and implies a personalistic tendency on his part. Given this consideration, the achievement of a majority in the Congress with 56 percent of the representatives pertaining to the movement *Cambio-90/Nueva Mayoría* represents above all a personal victory for President Alberto Fujimori.

---

<sup>215</sup>Movimiento Cambio-90, *Ideario Cambio-90: Transmisión del Mando Supremo* (Lima: Movimiento Cambio-90, 1989).

Table 43. Congressional Representatives by Political Group

Political Group	Congress (1995)	CCD (1992)
Cambio-90/Nueva Mayoria	67	44
UPP	17	-
APRA	8	-
FIM	6	4
CODE-Pais Posible	5	6
AP	4	-
PPC	3	8
Renovacion	3	7
IU	2	-
Obras	2	-
FNTC	1	3
FREPAP	1	2
MIA	1	1
Others <sup>1</sup>	-	5
Total	120	80

(1) Including MDI, with 4 representatives, and SODE, with 1 representative

Source: *Jurado Nacional de Elecciones*.

The majority obtained by President Fujimori in the Congress enabled him to consolidate the reforms established in his first presidential term, to further entrench the economic reforms, and to reduce the risk of instability, as had been the case prior to the *autogolpe* of April 5, 1992. The *Cambio-90/Nueva Mayoria* majority in the Congress reduced the capacity of the legislature to serve as a balance to the executive power.

The results of the elections of 1995 suggest, as pointed out by the opposition media, that "the people have wanted to legitimize with their vote the regime that, de facto and in an authoritarian manner, came to be governing the country since April 5, 1992. This is the fact under which the country lives, a real and solid fact that is completed by the popular will of which the unicameral Congress continues to be controlled by the diffuse party of Fujimori."<sup>216</sup>

Despite the fact that President Alberto Fujimori's government was able to legitimize itself with the 1995 elections, the nature of the government as democratic was not a high priority among the considerations of the population, who were principally concerned with economic issues. According to a national-level study conducted between October 2 and November 2, 1994, by the private national polling agency DATUN on the problems that require the urgent attention of the government, lack of democracy was considered a minor problem. In contrast, unemployment and poverty represented the most important priorities among the population.

---

<sup>216</sup>Francisco Igartua, "Editorial," *Oiga*, 10 April 1995.

Table 44. Public Perception of the Main Problems that Must be Addressed by the Government

Problem to be Resolved <sup>1</sup>	Percentage
<b>Economic Concerns</b>	
Unemployment	31.4
Poverty/Hunger/Misery	19.2
Low Wages	12.2
Economic Crisis	3.5
Industrial Recession	2.0
Lack of Agricultural Support	1.6
<b>Subtotal (Economic):</b>	<b>70</b>
<b>Political Concerns</b>	
Corruption	6.4
Narcotrafficking	5.3
Terrorism/Pacification	2.5
<b>Subtotal (Political):</b>	<b>14</b>
<b>Social Concerns</b>	
Lack of Education	6.1
Lack of Health Services	3.6
Delinquency/Theft/Assault	2.8
<b>Subtotal (Social):</b>	<b>12.5</b>
<b>Other Problems<sup>2</sup></b>	<b>3.1</b>
No Opinion	<u>0.3</u>
<b>TOTAL</b>	<b>100.0</b>

(1) The question was as follows: "Of the problems mentioned, which require the urgent attention of the next government?"

(2) Lack of democracy, no incentive for investment, no support for exports, lack of social support, lack of roads, abandoned children, centralization, lack of basic services, judicial disorganization/injustice, lack of production, abandonment of remote villages, drug addiction/alcoholism, lack of mining support, instability of the government, no tourism support, privatization of public enterprises, lack of support for livestock, no support for municipalities, garbage in the streets, lack of support for the fishing sector.

Source: DATUM, International.<sup>217</sup>

<sup>217</sup>"Resolver el desempleo y mejorar sueldos demanda ciudadanía al nuevo gobernante," *El Comercio*, 6 November 1994.

These results suggest that the citizens have not incorporated the issue of representative democracy into their top priorities, at least in terms of formal institutions. It could be that the failure of the restricted democracy experienced in Peru during the decade of the 1980s has resulted in the population's association of this system with corruption and inefficiency and not with the fundamental principles of democracy. These results explain the failure of the political opposition to define their confrontation with the government in terms of democracy versus dictatorship, a dichotomy that does not adequately represent the popular vision of political reality.

One element that is key to understanding the Peruvian political process of the 1990s is the existence of a personality like President Alberto Fujimori as a "manager" of the process. This is in the sense that President Fujimori focuses on the results to be accomplished, rather than on the activities through which they are achieved. In this regard, as Jochamowitz points out, "Fujimori is a more rigorous and systematic politician than his adversaries. Mathematics gave him mental training, an internalized methodology that complements his heritage."<sup>218</sup> As President Alberto Fujimori himself has pointed out, "my logic is enriched with the

---

<sup>218</sup>Jochamowitz, *Ciudadano Fujimori*, 183.

mathematic premise that each problem has a scientific and rational solution."<sup>219</sup>

Fujimori assumed his role as "manager" to achieve the objectives of the country that were set forth at the outset of his administration: to institute order in the economy and to establish peace in the country. Through his management style, he displayed a lack of attachment with interest groups, an ease in communicating with the citizens taking into account popular interests, a cultural identification with the majority of the Peruvian citizens, and pragmatic policies. For these reasons, this new leadership style of President Fujimori stood in contrast to the traditional leadership, which had only served to disenchant the citizens through decades of unfulfilled promises. This new style met the citizens' need for a message of hope, and they entrusted him with their expectations for the solutions to the problems of the country.

The armed forces had already envisioned a change in the nature of the economic and political system following the failure of the second administration of Fernando Belaúnde and the political-economic chaos provoked by Alan García. However, it appears that, even with the backing of the army, this

---

<sup>219</sup>President Alberto Fujimori, interview by author, Lima, January 1992. Part of the content of the interview was published as "Interview with the President of Peru, Alberto Fujimori," *North-South Magazine* 2, no. 1 (1992): 47.

process would have been difficult to undertake without the "management" of President Alberto Fujimori.

The questioning of the legitimacy of President Alberto Fujimori's government has largely disappeared in the international arena, principally, among the governments and the international entities that had maintained concern about the government following the *autogolpe* in April 1992. This situation contributes to the improvement of the international business community's perception of the country and suggests confidence in the economic reforms put into place by the government.

In President Alberto Fujimori's second presidential term, he has been confronting various challenges. Fujimori is pressed to respond to the expectations of the population in terms of the creation of employment and the alleviation of absolute poverty. He is pressed to combat the circumstances, such as injustice and marginality, that, at least in part, gave rise to the internal war. While the subversive movements have been nearly defeated, there is no guarantee that they cannot re-emerge.<sup>220</sup> He is faced with the challenge of designing and putting into practice an economic model that permits the permanent and self-sustaining growth of the

---

<sup>220</sup>As was shown by the hostage crisis provoked by the MRTA on December 17, 1996, which threatened to create a political crisis in the country.

economy with an improved distribution of income. This demands that the fragility of the economy be overcome. While hyperinflation has been brought under control and economic growth has been resumed, the current account balance continues to reflect a deficit, and the productive sector continues to be incapable of generating sources of employment and developing exports. He is pledged to combat narcotrafficking and its potential influence on the institutions of the state and the structure of society. He must redefine the relationship between the presidency and the armed forces in terms of the support of the citizenry and the subordination of the military institution to civilian power, as prescribed in the Constitution.

Following the elections of 1995, it appeared that one of the key elements in the new model of fiduciary democracy configured under the leadership of President Alberto Fujimori was the reduced prominence of the political parties. As stated by Fujimori after the election, "here end the political parties. The government works without political parties. It is a direct democracy, in which the Executive is in contact with the people, without intermediation of the political organizations that here, and in other places, have failed. This is a model that has demonstrated efficiency to resolve problems, a model of democracy that—all modesty aside—for me

would not be strange if it could be reproduced in other countries."<sup>221</sup>

This confirms President Fujimori's negation of the political institutions and his resistance to rebuild them. He has reconceptualized the old model of polyarchy through a new model of fiduciary democracy in which the President, rather than the established intermediary institutions, is the central element in the relationship between the state and the citizens. The President and the citizenry have established a fiduciary arrangement, in which the citizens deposit their hope in the President in order to achieve their aspirations, which, in the environment of the neoliberal ideology of the free market, the citizens expect someday to realize.

### 3. Reshaping of the State

President Alberto Fujimori is a leader who defines himself as non-political and associates traditional politics with corruption and inefficiency. Confronted with the demand for dialogue with the political class, he decided not to dialogue. Confronted with the lack of well-established institutions, he decided not to promote them and instead offered his support to the military. The pragmatism of

---

<sup>221</sup>"Una democracia sin partidos," *El Comercio*, 11 April 1995, 3A.

Fujimori can be seen in all aspects of the political process, from his presentation as a candidate through to the consolidation of his power.

The state that Fujimori inherited in 1990 was weak and did not control the process of national accumulation; corruption and inefficiency made it impossible to carry out the basic functions of the state. The weakening of the state and traditional political institutions obstructed their linkage with society overall. The state, rather than represent a unifying and consolidating factor, had become most of all a repressive apparatus.

President Fujimori initiated a model of state reform that followed a neoliberal pattern. This model rejected the recent chaotic past of permanent economic crisis and the old model in which the state was the principal agent of the economy. This new state was based, at least ideologically, on the technocratic doctrines propagated by institutions such as the IMF and the World Bank, which recommended the liberalization of the economy, the deregulation of the financial system, the privatization of state enterprises, the decrease of public expenditures to balance the budget, and the prompt payment of the foreign debt.<sup>222</sup> In this context, the new state relied upon

---

<sup>222</sup>The program that was put into practice by President Alberto Fujimori was different than the economic program upon which he had campaigned. See *Movimiento Cambio-90, Plan de gobierno de Cambio-90*, December 1989.

the power of the market and on foreign investment to satisfy the expectations for the long-term development possibilities of the country, even though in the short run the situation of the population would not improve.

Even though the new state model is not explicitly endorsed by the excluded and informal sectors of society, in practice they constitute the social base of the model because of their support for the personal leadership of President Fujimori. The other base of support of this new state configuration is the military, which is given the role of low-intensity defense and is centered around the anti-terrorist war, the anti-narcotics war, and defense of the border with Ecuador. Under these circumstances, President Fujimori developed a policy that has reduced the degree of control the state has over the process of national accumulation and is more conditioned by the forces of the international market.

The process of state reform initiated by the government of President Fujimori was based in an adjustment program designed to stabilize the economy, solve the problem of hyperinflation, and control the fiscal deficit. The adjustment program gave way to the structural reform program. This program did not face opposition from any significant sector of the population due to the crisis of the political parties, the government's success in the counter-insurgency policy with the

capture of Abimael Guzmán, and the success of the *autogolpe* of April 5, 1992. This enabled the government to move forward with the reform process.

One of the principal characteristics of the reform of the state was the definition of the public interest, which gives content to the reform of the state. Rather than being defined in terms of the participation of the general population, the reforms were conceptualized outside of the state, in international institutions by a group of technocrats associated with those institutions, who applied a package of measures previously established for other Latin American countries. The most important support for this reform process came from the armed forces and from a sector of the domestic business community that supported the process. In the case of this latter group, this support was conditioned by their sectoral interests, particularly with regard to the labor market reform policies.<sup>223</sup>

The reform program was applied in a vertical manner without negotiation with the social agents. This strategy was possible due a crisis of the basic institutions of the country

---

<sup>223</sup>For example, Jorge Picasso, president of CONFIEP, an enterprise from the one sector of the domestic business community that supported the reform process, expressed his confidence that all of the structural reforms that have been enacted have made the country attractive to foreign investors. "Empresarios destacan ingreso al Plan Brady," *Presencia* (Revista de CONFIEP), May 1996.

and a vacuum in the political system. An aspect that helped in this vertical imposition was the virtual bankruptcy of the state. In this context, it was not the imposition of the law that was important, but rather, the imposition of order and the stimulation of the economic recovery of the country.

In the Constitution of 1993,<sup>224</sup> the definition of the state-market relationship is the fundamental base for the new role of the state. In this regard, the new role of the state is determined by the behavior of the market. This new orientation of the state is illustrated through the following changes that were instituted. The first sectors to be reformed were key sectors in which the state had a strong presence, such as mining and telecommunications. The public investment was no longer directed toward any productive activity. Instead, it was directed toward infrastructure in order to promote private investment. Similarly, the state retired from productive activities and eliminated the State Development Banks (*Bancos de Fomento del Estado*). The state-run enterprises were privatized, and the use of economic policies to promote the development of economic activities was abandoned.

---

<sup>224</sup>In the 1993 Constitution the economic regime is treated in Articles 58-65, which, in contrast to the previous Constitution, renounced the enterprise activity of the state.

There was emphasis on economic reform, but attention was not devoted to defining the role of the state. There was confusion over what would be the reform of the state and the reform of the administration of executive power. These reforms did not have a comprehensive vision with clear medium and long-term objectives that would identify the nature of the relationship between the state and society.

The reforms initiated by President Alberto Fujimori concentrated the power of the executive branch through the public budget and weakened the position of the local and regional governments. The central government's actions were conducted through the Ministry of Economy and Finance (*Ministerio de Economía y Finanzas*) and the Ministry of the Presidency (*Ministerio de la Presidencia*), which were the entities with the resources to act in place of the traditional roles of the regional and local governments.

The Ministry of the Presidency is a key institution in the administration of President Fujimori because through this institution populist actions can be developed by the allocation of resources to focused groups throughout the population. This is part of the style of government of President Fujimori who prefers to interact directly with the citizens. For this reason, in practice, the intermediate

institutions between the central power and the citizens lose all relevance.

The first stage of state reform was complemented by a second stage in which policies related to health and education, sectors to which the population is sensitive, were incorporated. In the short term, the reforms of President Fujimori had the support of the international institutions and of the armed forces, but the general population was largely indifferent. In the long run, however, the success of the state reform and its consolidation would be guaranteed by the population itself. Nevertheless, since no institutions were created to carry out the reforms, and there is no organic base within the population to defend them, their future is uncertain.

The economic policy changes that have occurred since 1990 have shifted the focus away from demand promoted by the state toward the market. In the period 1992-95, the economic policy of the Fujimori administration provided stability to the country's economy. However, this stability has been the result of a distortion of relative prices, principally related to the following factors: the price of labor expressed through low real wages; the price of money expressed through the high interest rate; and the price of foreign currency expressed through the overvalued exchange rate. Due to this distortion of the principal prices of the economy, the current stability

is precarious. This situation is further complicated by the nature of the productive sector, which does not generate a significant degree of production to cover the necessities of the population, and the composition of domestic demand, which is based on imported goods.

With the initiation of the new structural reform program at the beginning of the 1990s, the economic policies implemented, and the responses of the economic system, the changes taking place in the country have resulted in a loss of national decision-making capacity. This situation is a consequence of the growing importance of the foreign debt and foreign investment and the requirements of imported capital goods at the level of the productive structure. As a result of the process of privatization, most of the decision making and management of the principal multinational enterprises that operate in the main areas of the Peruvian economy are located outside of the country.<sup>225</sup> In the technological sphere, the introduction of highly specialized technology that has resulted in the polarization of skilled and unskilled workers, is controlled by the providers of technology, which are also located outside of the country. The increased importance of external forces in the domestic economy is accompanied by a process of globalization of the means of communication. This

---

<sup>225</sup>Saskia Sassen, *Losing Control? Sovereignty in an Age of Globalization* (New York: Columbia University Press, 1996).

process brings new ideas, patterns of behavior, and cultural forms to the attention of the national audience through such means as the news, television programs, and films. One result is that consumption patterns and the allocation of resources are shifted toward the orientation presented in the media. Although this is a process that has been underway throughout most of the century, the globalization process in the 1990s has taken on a new dimension made possible by telecommunications advances. The instantaneous transmission of ideas through the vast expansion of the global media network and the rapid transfer of capital flows across borders have resulted in an altered perception of the relationship between the country and the international environment.

The new perception of the public interest and public space can be understood in terms in which the welfare of the population is associated more with individual effort than with anything that the state does or does not do for the individual or society. This new interpretation has brought about a reconceptualization among the population of the significance of participation and involvement in public affairs. It has also led to a decrease in citizen participation in such institutions as political parties. The lack of interest in public affairs does not necessarily signify the acceptance of the reforms on the part of the population. It could also mean that the state's resistance to the rebuilding of the

institutions that had weakened and discouragement of the emergence of new institutions of citizens participation, impeded the population from participating in the decision-making process.

With the economic model conceptualized by the international institutions, where foreign capital plays a crucial role,<sup>226</sup> the organization of the economy is conducted through the internationalization of the country, a reshaping of the institutions of the society, and the stagnation of the participation of the citizens in the political process. These characteristics provide substance for the understanding of the new model of fiduciary democracy, in which the citizens place their expectations in a polyarchy that, at the same time, does not allow them to have any mechanism that motivates them to put into practice the values of the democratic system.

---

<sup>226</sup>In this regard foreign capital has started to replace the state in the productive sector through the process of privatization. From 1991 to 1995 in Peru, 59 public enterprises were privatized, generating \$3.2 billion. The principal state-owned companies were purchased by international investors. Some examples are: Hierroperú was purchased by the Shougang Corporation (China); Aeroperú by Aeroméxico (Mexico); Cerro Verde by Cyprus Mineral (United States); Refinería Ilo by Southern Peru (United States); Interbanc by International Financial Holding; Tintaya by Magma Cooper Corporation, Global Magma Limited; Refinería de Cajamarquilla by Cominco & Marubeni; and Entel/CPT by Telefónica Internacional (Spain). The process is ongoing, and several main public enterprises are slated for privatization in the coming years.

The model of fiduciary democracy, according to neoliberal ideology, implies that the citizens should look for solutions through individual action, rather than collective action. This implies that under this new model, the collective political organization of the citizens is no longer a necessary condition for the citizens to relate with the state. Under this model, the citizens become focused on addressing their individual economic necessities rather than being involved in political issues. In the sense that the citizens, through such intermediary institutions as the political parties, no longer contribute to the political decision-making process, this separation between the political and the economic implies that the President is in charge of the "management" of the political issues.

President Alberto Fujimori understood early on that his political project could only be conducted through the direct alliance with foreign capital and the international financial institutions. International forces have become part of the dominant bloc in the country's domestic power alliance. Fujimori demonstrated that it is possible to form a political alliance with international capital and the multinational enterprises and a psychological alliance with the popular sectors. This is because the political parties of the right and the left no longer provided answers to the questions posed by the population. President Fujimori envisioned the

"management" of the country using as a model the successful development experiences of Asian countries such as Taiwan and South Korea. His vision of the country would meet the needs of foreign capital by establishing favorable conditions for foreign investment and would eventually would meet the needs of the citizens through the development of the country.

### C. Conclusions

This chapter has focused on the rupture of the Peruvian political regime of restricted democracy that existed in the period 1980-92. The role of the military and of President Fujimori in the *autogolpe* of April 1992, and the domestic and international reactions to this event have also been examined. Analysis of the reshaping of the Peruvian state has been conducted in order to provide an understanding of the conditions under which space has been opened for the emergence of the regime of fiduciary democracy. The following conclusions have been drawn.

First, the environment in which the *autogolpe* of April 5, 1992 was able to occur was fomented by several areas of discord that made the relationship between the executive and legislative branches of government grow steadily more tense. The discord between the executive and legislative branches was accompanied by an aggressive campaign led by President

Fujimori against the Congress, the political parties, and judiciary. The stronger Fujimori's attacks on the Congress, the more popular support the President received. The responses to President Alberto Fujimori's attacks from the members of the Congress were framed around a tired rhetoric that was lacking effective content. Rather than concentrate on the main problems of the country or respond to the issues about which they were criticized, they responded trying to discredit President Fujimori by denouncing corruption in his close personal environment. While this conflict between the Congress and the President was underway, the majority of the population was more concerned about how to respond with individual survival strategies to the results of the economic adjustment program than about the tensions between the Congress and the President. It was within this context that President Fujimori decided on April 5, 1992 to dissolve the Congress, suspend the Constitution, and assume full powers as commander-in-chief of the armed forces. President Alberto Fujimori's decision was publicly supported by the armed forces and the police.

Second, one of the major actors in the *autogolpe* was the military. The first time that the military assumed power in the country as an institution and with its own doctrine in the 1968 *coup d'état* led by General Juan Velasco Alvarado. When the military left power in 1980, the institution suffered a

crisis of ideology and the exhaustion of its nationalist discourse because of the failure of its project. However, after the inauguration of civilian government in 1980, the military quickly recovered its influence over political affairs. Among the reasons for this were the 1981 conflict with Ecuador and the growing presence of *Sendero Luminoso*. However, the lack of a counter-insurgency strategy and the economic crisis provoked by the failure of the economic policies of the civilian administrations of the 1980s diminished the image of the military and its capacity as an institution. These two elements made the armed forces understand by the end of the 1980s that the two most important short-term problems of Peru were the fight against the insurgency and the ordering of the economy. They concluded that the solution to these problems required their direct presence in the political affairs of the country. One sector of the armed forces decided to work closely with President Fujimori in order to put in practice their plans with his support. The concrete manifestation of this decision was the *autogolpe*. This segment of the military and President Fujimori share a liberal economic approach, which has set the foundations for the economic program currently in practice in the country.

Third, in the domestic arena, reactions to the *autogolpe* were largely positive because of the vacuum in the domestic political system and the citizens' rejection of the previous political regime. In the international arena, there was initial condemnation but subsequently support because of international approval of President Fujimori's economic program and the success of his counter-insurgency policies. Contrary to what had been expected, the people did not rush to the streets to defend the rule of law or even to protest. Instead they went out to applaud President Fujimori for closing the Congress. The international financial institutions and the private international business community continued to support President Fujimori's reform program. The Organization of American States (OAS) played the role of mediator between the domestic opposition and President Fujimori.

While Fujimori made some advances on the political front, the capture of the leader of *Sendero Luminoso* in 1992 drastically changed the course of events in his favor. The result was a collective sigh of relief among Peruvians, and a renewed hope that the state could actually defeat the insurgent threat. On the international front, the capture of the leader of *Sendero Luminoso* not only generated support for the Fujimori government but also promoted greater tolerance and understanding for his actions. President Fujimori's

popularity increased, and his party's success in the *Congreso Constituyente Democrático* (CCD) elections in November 1992 became a virtual certainty. Holding municipal elections at the national level in February 1993 was sufficient to comply with the stipulations of the OAS outlined in May 1992.

Fourth, the 1993 Constitution evidences the main tendencies of the new neoliberal perception of the state and the economy. It established the new rules under which fiduciary democracy has developed. The 1993 Constitution instituted the following: the presidential mandate of five years and re-election for one additional term; a Congress composed of only one chamber, formed by 120 members; the death penalty applied for treason in times of war and for terrorism; the state limited to business activity in subsidiary form, and only for reasons of public and national interest; national and foreign investment subjected to the same conditions; social security and pensions granted through public, private, or mixed institutions; job stability which does not constitute an absolute right—in the cases of arbitrary dismissal with protection administered through indemnization or placement; and guaranteed ownership of land in private, communal, or associative forms.

Fifth, President Fujimori's success in the 1995 elections was a result of the opposition's inability to articulate a

viable alternative for the citizens and of his creation of the sensation of stability and progress, principally on the basis of his successful counter-insurgency strategy, his control of hyperinflation, and the re-initiation of economic growth in the country. Fujimori's 1995 campaign discourse was a frontal attack on the traditional political parties. Even though President Fujimori was applying a neoliberal economic reform program, to support his re-election campaign he intensified the application of what have been considered to be a series of populist measures through public works programs. These populist actions served to create a sensation of hope among the most poor and abandoned sectors of the country that had never received attention from the state.

The electoral triumph of April 1995 was a victory for President Alberto Fujimori himself, and not necessarily for the electoral alliance *Cambio-90/Nueva Mayoría*. Rather than constituting a political party, the alliance was an electoral movement. Fujimori never intended for it to become a political party. His actions did not follow any type of collective direction of the movement *Cambio-90/Nueva Mayoría* and implied a personalistic tendency on his part.

Sixth, an element that is key to the understanding of the Peruvian political process of the 1990s is the existence of a personality like President Alberto Fujimori as a "manager" of

the process. His leadership is a consequence of, among other things, the crisis of the political parties, disenchantment with the old leaders because of unfulfilled promises, the necessity among the citizens for a message of hope, his lack of attachment with interest groups, the ease with which he communicates with the citizens taking into account popular interests, his cultural identification with the majority of the Peruvian citizens, and his pragmatic policies. The citizens became disenchanted with the traditional politicians because of decades of unfulfilled promises. The approach of President Fujimori was to promise little, but engage in effective action.

Seventh, Fujimori has reconceptualized the old model of polyarchy through a new model of fiduciary democracy in which the President, rather than the established intermediary institutions, is the central element in the relationship between the state and the citizens. Following the elections of 1995, it appeared that one of the key elements in the new model of fiduciary democracy configured under the leadership of Fujimori was the reduced prominence of the political parties. President Fujimori rejected these political institutions and resisted rebuilding them. The President and the citizenry have established a fiduciary arrangement, in which the citizens deposit their hope in the President in order to achieve their aspirations, which, in the environment

of the neoliberal ideology of the free market, the citizens expect someday to realize.

Eighth, President Fujimori initiated a model of state reform that followed a neoliberal pattern and reconfigured its social bases among the excluded and informal sectors of society. This model rejected the recent chaotic past of permanent economic crisis and the old state model. This new state was based, at least ideologically, in the technocratic doctrines propagated by institutions such as the IMF and the World Bank, which recommended the liberalization of the economy, the deregulation of the financial system, the privatization of state enterprises, the decrease of public expenditures to balance the budget, and the payment of the foreign debt. In this context, the new state relied upon the power of the market and on foreign investment to satisfy the expectations for the long-term development possibilities of the country, even though in the short run the situation of the population did not improve.

One of the principal characteristics of the reform of the state was the definition of the public interest, which gives content to the reform of the state. Rather than being defined with the participation of the general population, the reforms were conceptualized outside of the state, in the international institutions. The reform program was applied in a vertical manner without negotiation with the social agents. This was

due to an institutional crisis that involved not only the system of parties but also the social actors of the nation and the mechanisms of institutional representation. The reforms initiated by Fujimori strengthened the power of the executive branch through control over the public budget and weakened the position of the local and regional governments. The Ministry of the Presidency is a key institution in the administration of President Fujimori because through this institution populist actions can be developed through the allocation of resources to focused groups throughout the population.

This is part of the style of government of President Fujimori, who prefers to interact directly with the citizens. For this reason, in practice, the intermediate institutions between the central power and the citizens have been rendered superfluous. Because no institutions have been created to carry out the reforms, and there is no organic base within the population to defend them, their stability is precarious.

Ninth, the reforms taking place in the country have resulted in a loss of national decision-making capacity because of the growing importance of the foreign debt and foreign investment and due to the requirements of imported capital goods at the level of the productive structure. As a result of the process of privatization, most of the decision making and management of the principal multinational enterprises that operate in the main areas of the Peruvian

economy are located outside of the country. In the technological sphere, the introduction of highly specialized technology that has resulted in the polarization of skilled and unskilled workers, is controlled by the providers of technology, which are also located outside of the country.

The increased importance of external forces in the domestic economy is accompanied by the new dimension of the process of globalization made possible by telecommunications advances in the 1990s. To a larger degree than ever before, this process brings new ideas, patterns of behavior, and cultural forms to the attention of the national audience through such means as the news, television programs, and films. One result is that consumption patterns and the allocation of resources are shifted toward the orientation presented in the media. With the economic model conceptualized by the international institutions, where foreign capital plays a crucial role, the organization of the economy is conducted through the internationalization of the country, a reshaping of the institutions of the society, and the stagnation of the participation of the citizens in the political process. These characteristics provide substance for the understanding of the new model of fiduciary democracy.

Tenth, the new perception of the public interest and public space, in terms in which the welfare of the population is associated more with individual effort than with anything

that the state does or does not do for the individual or society, has brought about a re-conceptualization among the citizens regarding the significance of participation and involvement in public affairs and participation in such institutions as political parties. The lack of interest in public affairs could be mistaken for the acceptance of the reforms on the part of the citizens. It also could mean that the citizens deposit their trust in the leadership of President Alberto Fujimori in the expectation that some day they will be able to achieve their personal goals in the environment that he secures for them.

Eleventh, in the new fiduciary democracy political regime, international forces have become part of the dominant bloc in the country's domestic power alliance. President Fujimori has demonstrated that it is possible to form a political alliance with international capital and multinational enterprises and a psychological alliance with the popular sectors. He understood early on that his political project could only be conducted through the direct alliance with foreign capital and the international financial institutions. This is because the traditional political institutions and the political parties no longer provide answers to the questions posed by the citizens. President Alberto Fujimori became the "manager" of a developing country

in a manner that would meet the needs of foreign capital and eventually would meet the needs of the citizens.

## CHAPTER VI: CONCLUSIONS

This dissertation has analyzed the collapse of the Peruvian political system of the 1980s and the emergence of a new political regime, fiduciary democracy, in the beginning of the 1990s. This new political regime is "fiduciary" in the sense that it represents a tacit arrangement between the citizens and the president whereby the citizens place their confidence, faith, and reliance in the president, whose policies, leadership, and protection are sought; the president serves as the holder of a "trust" and acts in a fiduciary capacity to the citizens, whose expectations are entrusted to him. It is "democracy" in the sense that it is conducted under a constitutional mandate; there are elections to select the president, the representatives of the Congress, and the municipal authorities; there are political parties; and there is freedom of expression. However, this type of political regime is different from a fully democratic political regime principally in that the legislative and judiciary branches do not function independently of the executive branch, and other

public institutions do not function according to the rule of law. In addition, the citizens do not have a mechanism by which to participate in the decision-making process and demand accountability from the government. The citizens trust the government and anticipate that some day their expectations will be met through the government's actions.

The collapse of the Peruvian political system in the 1980s and the emergence of the regime of fiduciary democracy in the 1990s originated in the interaction of three elements. The first element is the weakness of the economic organization of the country. The second factor is the deterioration of the basic institutions of Peruvian society, such as the state, political parties, and civil society organizations. The third element is the forces impelling the country toward reliance upon the international market through the functions of the economy and the design of the economic policies. The accumulated tensions generated by the interaction of these three elements made the political system of the 1980s inviable and intensified the need for change.

Under these considerations, the analysis of the Peruvian political and economic system in this dissertation has led to the following findings that support the central hypothesis of the research and provide substance for understanding the new regime type of fiduciary democracy.

---

First, this dissertation has found that the organization of the Peruvian economy of the 1980s was characterized by a weak structure and an inability to generate sustained levels of growth. The growth of the economy, based on this structure, does not represent movement toward greater industrialization, nor does it generate employment. Similarly, the gaps between wages and profits, and among the sectors where production and the economically active population are concentrated shows that the growth of the gross domestic product in Peru does not result in increased incomes for labor.

The predominance of primary export activities, the structure of internal demand based in imports, and the weakness of the gross formation of fixed capital to increase the productive base of the economy illustrate the constraints on the Peruvian economy in the international market. The same structure that underlies the political-economic system of the 1980s continues through the 1990s. For this reason, the base of fiduciary democracy is weak and could be undermined if the citizens lose their trust in the fiduciary arrangement. In the absence of a change in the organization of the economy, the prospects for the future of this new political regime are not favorable.

Second, the economic policies that were applied in Peru in the 1980s and early 1990s were unable to alter the characteristics of the weak organization of the Peruvian

economy, and, to the contrary, reinforced its weakness. The failure of the economic policies applied by the state in the 1980s provoked the increasing impoverishment of the majority of the people and their disenchantment and distancing from the state. This was particularly true for the large sector of Peruvian society that is multilingual and comprised of a variety of ethnicities, which is not incorporated into the "official" country and does not possess mechanisms that permit access to the economic policy decision-making process. As a consequence, the Peruvian state was perceived by the majority of the population as a bureaucratic institution that was unable to coordinate a solution to the most urgent economic problems faced by the country. This increased their hope for an unknown solution and was one of the factors that opened the space for the emergence of the regime of fiduciary democracy in the country.

Third, throughout the 1980s and increasingly in the 1990s, the Peruvian political economy has been restricted by the international market because of the weak organization of the economy and the magnitude of the foreign debt. Because the Peruvian economy lacks a domestic sector that produces capital goods, intermediate products, and technology that would guarantee the growth of the economy and employment, it must rely on the international market. However, the economy cannot generate sufficient income to cover its imports because it is

a primary-product exporter. Peru's trade imbalance and its development necessities push the country to contract more and more foreign debt, the service on which constitutes a restriction on the country's economic development. The necessity to make payments on the foreign debt has increased the role of the international financial institutions in monitoring the economic policies of the country and has contributed to the loss of the country's autonomy in the design of its economic policies.

Fourth, despite the resumption of civilian governance in 1980 and the institution of a new constitution, what existed in Peru throughout the 1980s was a restricted democracy, in which a vacuum was created that opened space for the imposition of a solution from outside of the traditional political system. The end of the military government of the late 1960s and 1970s and the Constitution of 1979 did not represent a reconstruction of the political parties, the modernization of the political class, or a restatement of the ideology of most of the institutions of the country. The lack of governmental accountability and economic mismanagement turned the country's economic crisis into a permanent crisis and contributed to the exacerbation of social tensions and political violence.

The political parties as the principal political actors failed in their role as intermediary between the state and

society, and the other institutions of the society were no longer able to represent the interests of the citizens. These conditions served to affect the citizens' perception of the capacity of the existing political system to confront the economic crisis and the violence with which they were faced. The growing presence of *Sendero Luminoso* and the MRTA through the early 1990s represented the final element that contributed to the collapse of the Peruvian polyarchic system of restricted democracy that had existed. Their activities contributed to the destruction of the institutions and the creation of a vacuum in the political system that provided space for the emergence of the system of fiduciary democracy in the 1990s.

Fifth, the emergence of the political regime of fiduciary democracy coincided with the collapse of the Peruvian political system and President Fujimori's April 5, 1992 decision, made with the support of the armed forces, to close the Congress and assume full powers as commander-in-chief of the armed forces. Several factors contributed to the popular support for his measures. At this time, the country was experiencing a crisis of its political system. There was disenchantment with the old leaders because of unfulfilled promises, and the citizens felt the need for a message of hope. There were several personal characteristics of President

Fujimori that led to popular support for him. He had no compromise with the political system that had failed in the country. He demonstrated a lack of attachment with interest groups. He also displayed an ease in communicating with the citizens, taking into account popular interests. In addition, President Fujimori evidenced a cultural identification with the majority of the Peruvian citizens. These factors, in addition to his pragmatic policies and strong leadership, led the citizens to support the *autogolpe* and place their trust in him as the depository of their hopes and expectations for the future.

The 1993 Constitution established the new rules about the state and the economy which are the foundation for the new fiduciary democracy regime. This political regime was consolidated with President Fujimori's success in the 1995 elections. His success was a result of the opposition's inability to articulate a viable alternative for the citizens and of his creation of the sensation of stability and progress, principally on the basis of his counter-insurgency strategy, his control of hyperinflation, and the re-initiation of economic growth in the country.

Sixth, the regime of fiduciary democracy that emerged in Peru in the 1990s is characterized by the interaction of the following eight elements.

Table 45. Characteristics of Peruvian Regime of Fiduciary Democracy

<p>A. Formal multi-party elections but no attractive choices; citizens' growing lack of interest in public affairs; multiparty system; formal structure of civil and political liberties, and freedom of expression</p>	<p>E. Weak economic organization; economic policy oriented toward production and export of primary goods; process of accumulation directed toward meeting obligations to the international financial system and requirements of the international market forces</p>
<p>B. Strong leader who personally is holder of the citizens' "trust;" leader who is an efficient "manager" and maintains direct contact with the population</p>	<p>F. Ideological adoption of modernism; using the market as the mechanism of the economy; state abandons its role as the promoter of development; social change through market values</p>
<p>C. Concentration of power in the executive branch; unconditional support of the armed forces; subordination of legislative and judicial branches and "autonomous institutions" to the executive power</p>	<p>G. Increasing social polarization between a high-income, minority sector directly integrated into the modern international market and a low-income, majority sector excluded from the modern sector and from the international market</p>
<p>D. No rebuilding of the basic institutions of the failed system or replacement with new institutions; state discourages development of new institutions; space opened for arbitrary exercise of power</p>	<p>H. Small public administration; low level of collection of taxes; public expenditure directed toward gaining the support of the political leaders of the country</p>

The elements that appear in the table above are discussed as follows.

A. There is the formal existence of the powers of the state, where the executive and legislative branches come to power on the basis of the popular vote. There exists a formal multi-party system in which the political parties are unable to captivate the attention of the citizens or translate their interests into political options. The citizens participate out of obligation and vote for a candidate, not necessarily because they favor the candidate, but because there is no

attractive alternative. Although there exist civil and political liberties and freedom of expression, which permit the political opposition to express their views freely, they have little impact on the population because the citizens are involved in their individual day-to-day survival strategies. This tendency is accompanied by a growing lack of interest in public affairs among the citizenry, which is in accordance with the predominant ideology that suggests the search for individual, rather than collective, solutions.

B. The president is the central element in the relationship between the state and the citizens. The president interacts directly with the citizens and establishes with them a fiduciary arrangement, in which the citizens deposit their hope and expectation that someday they will be beneficiaries of the system. The fiduciary arrangement between the citizens and the president was made possible because the traditional political institutions and the political parties came to no longer provide answers to the questions posed by the citizens.

C. Political power is concentrated in the executive branch, particularly with the president. The president acts with the support of the armed forces, with whom he shares a neoliberal ideology. There is the subordination of the legislative branch and judicial branches and the "autonomous institutions," such as the Central Reserve Bank, to the executive branch.

D. The decline of the social, economic, and political institutions that had been part of the failed model are not replaced by new institutions. There is a reduced prominence of intermediary institutions and the political parties. There is also a rejection of these political institutions and a resistance to rebuild them on the part of the executive. In practice, the intermediate institutions between the central power and the citizens are rendered superfluous. The state's tendency to discourage the development of new institutions opens a space for the arbitrary exercise of power. Paradoxically, the lack of existing institutions signifies that the stability of the new polyarchy is precarious.

E. The economic policies that are applied are unable to alter the characteristics of the weak organization of the economy and serve to reinforce its weakness. The process of accumulation is directed toward meeting obligations to the international market forces. The economic reforms result in a loss of national decision-making capacity because most of the decision making and management of the principal enterprises that operate in the key sectors of the economy are located outside of the country. National decision-making capacity is also limited by the growing importance of service on the foreign debt and the increasing need for imported technology and capital goods at the level of the productive structure.

For these reasons, international forces become part of the dominant bloc in the country's domestic power alliance.

F. The ideological adoption of neoliberalism as a social premise implies letting the market assume the role of assigning the resources of the economy. It also implies that the state abandon its role as the orchestrator of development and that the society adopt individualistic values. The new perception of the public interest and public space, in terms in which the welfare of the population is associated more with individual effort than with anything that the state does or does not do for the individual or society, brings about a reconceptualization among the citizens regarding the significance of participation and involvement in public affairs. With the economic model conceptualized by the international institutions, where foreign capital plays a crucial role, the organization of the economy is conducted through the internationalization of the country, a reshaping of the institutions of the society, and the stagnation of the participation of the citizens in the political process.

G. The results of the process of production and distribution of income generate an increasing social polarization. On the one side is a high-income, minority sector that is directly integrated into the modern international market, and on the other side is a low-income, majority sector that is excluded from the modern sector and

from the international market. This situation provokes tensions that hold the potential to destabilize the system.

H. The public administration is concentrated in the strengthening of a reduced bureaucratic sector, efficient in the collection of taxes. This reduced public administration is focused on gaining the support of the poorest sectors of the country by directing attention to the basic needs of these sectors. Populist actions are developed through the allocation of resources to focused groups throughout the population. The central administration of the leader concentrates the power of the executive branch through the public budget and weakens the position of the local and regional governments.

Seventh, the foundation for the success and consolidation of the regime of fiduciary democracy is precarious. This is because of the weakness of the economic organization of the country and the application of the neoliberal economic policies that failed in the past. In addition, the society has not constructed institutions that could enact the necessary changes that would orient the country toward achieving the dual goals of economic development and political democracy. As a consequence, the Peruvian people might be waiting for an unknown outcome, that may or may not actually exist and may or may not enable them to reap the benefit of the fiduciary arrangement that they established.

**APPENDIX A. DEFINITION OF THE VARIABLES OF THE INPUT-OUTPUT  
MODEL AND SOLUTION OF THE MODEL**

The input-output model is presented in the three basic matrices that are shown in the following table:

Intersectoral Transaction Matrix Table

	Intermediate Transactions						Final Transactions						Total
	1	2	3	.	.	n	1	2	3	.	.	p	
1	$X_{11}$	$X_{12}$	$X_{13}$	.	.	$X_{1n}$	$Y_{11}$	$Y_{12}$	$Y_{13}$	.	.	$Y_{1p}$	$X_1$
2	$X_{21}$	$X_{22}$	$X_{23}$	.	.	$X_{2n}$	$Y_{21}$	$Y_{22}$	$Y_{23}$	.	.	$Y_{2p}$	$X_2$
3	$X_{31}$	$X_{32}$	$X_{33}$	.	.	$X_{3n}$	$Y_{31}$	$Y_{32}$	$Y_{33}$	.	.	$Y_{3p}$	$X_3$
.	.	.	.	.	.	.	.	.	.	.	.	.	.
.	.	.	.	.	.	.	.	.	.	.	.	.	.
n	$X_{n1}$	$X_{n2}$	$X_{n3}$	.	.	$X_{nn}$	$Y_{n1}$	$Y_{n2}$	$Y_{n3}$	.	.	$Y_{np}$	$X_n$
1	$Z_{11}$	$Z_{12}$	$Z_{13}$	.	.	$Z_{1n}$							
2	$Z_{21}$	$Z_{22}$	$Z_{23}$	.	.	$Z_{2n}$							
3	$Z_{31}$	$Z_{32}$	$Z_{33}$	.	.	$Z_{3n}$							
.	.	.	.	.	.	.							
.	.	.	.	.	.	.							
m	$Z_{m1}$	$Z_{m2}$	$Z_{m3}$	.	.	$Z_{mn}$							
Total	$X_1$	$X_2$	$X_3$	.	.	$X_n$							

Three quadrants can be distinguished in the matrix of the Intersectoral Transaction Matrix Table. In the first quadrant, the interrelations among the producers is termed the "intermediate transaction matrix." The typical element in this matrix is:

$$x_{ij} \quad (i, j=1, 2, \dots, n)$$

which represents the output of the  $i$  sector used in the production of the  $j$  sector.

The second quadrant is comprised of the final use of production. It is broken down by the major type of use, such as Private Consumption, Investment, and Exports. The typical element of this matrix is:

$$y_{is} \quad (s=1, 2, \dots, p)$$

which represents the contribution of the  $i$  sector of the economy to the  $s$  component of the final demand.

The third quadrant is comprised of the total payments for the primary inputs for each sector, such as salaries, interest, and profits. The typical element is:

$$z_{rj} \quad (r=1,2,\dots,m)$$

which represents the  $r$  element of the primary input used in the production of the  $j$  sector.

Additionally, the vectors of the gross production  $X$ , are identified. Their typical elements are:

$$X_j \quad (j=1,2,\dots,n) \quad \text{and} \quad X_i \quad (i=1,2,\dots,n)$$

which represent gross production by origin and destination, respectively. The identification of the variables enables the establishment of the following relations:

$$(1) \quad X_j = \sum_{i=1}^n x_{ij} + \sum_{r=1}^m z_{rj} \quad (j=1,2,\dots,n)$$

which represents the origin of the gross production of the  $j$  sector of the economy.

$$(2) \quad X_i = \sum_{j=1}^n x_{ij} + \sum_{r=1}^m y_{ir} \quad (i=1,2,\dots,n)$$

which represents the use of the gross production of the  $i$  sector of the economy.

$$(3) \quad \sum_{j=1}^n x_{ij} + \sum_{j=1}^n z_{ij} = \sum_{j=1}^n x_{ij} + \sum_{j=1}^n y_{ij}$$

which implies that the total of the production of the  $j$  sector is distributed as intermediate demand and final demand of sector  $i$ .

In accordance with the assumptions of the Leontief model, the production of a sector  $j$  depends on a fixed component of intermediate and primary inputs. This is expressed in the following production function:

$$4) \quad X_j = f(x_{1j}, x_{2j}, \dots, x_{nj}, z_{1j}, z_{2j}, \dots, z_{nj}) \quad (j=1, 2, \dots, n)$$

According to this function, it is possible to relate each element of the function with the production of each sector in the following relations:

$$(5) \quad a_{ij} = \frac{x_{ij}}{X_j} \quad \text{and} \quad (6) \quad b_{ij} = \frac{z_{ij}}{X_j}$$

where the element  $a_{ij}$ , is termed the technical coefficient of the intermediate input. Element  $a_{ij}$  represents the proportion of intermediate inputs that a sector  $j$  purchases from a sector  $i$  and that is used for production. Element  $b_{jr}$  is a technical coefficient of the primary input and represents the component  $r$  of the aggregate value or primary inputs that a sector  $j$  uses in production. The intermediate inputs and primary inputs can be expressed in terms of technical coefficients, in the following manner:

$$(7) \quad x_{ij} = a_{ij}x_j \quad \text{and} \quad (8) \quad z_{jr} = b_{jr}x_j$$

The gross production of each sector of Equation (1) can be expressed in the following form:

$$(9) \quad X_j = \sum_{i=1}^n a_{ij}X_i + \sum_{r=1}^m b_{jr}X_r$$

from which it is established that

$$(10) \quad 1 = \sum_{i=1}^n a_{ij} + \sum_{r=1}^m b_{jr}$$

where each technical coefficient is  $a_{ij} < 1$ .

The solution of the Leontief model starts with intermediate demand. It is expressed through the system of  $n$  equations.

$$(11) \quad \begin{array}{l} a_{11}x_1 + a_{12}x_2 + \dots + a_{1n}x_n + y_1 = x_1 \\ a_{21}x_1 + a_{22}x_2 + \dots + a_{2n}x_n + y_2 = x_2 \\ \cdot \quad \cdot \quad \quad \quad \cdot \quad \cdot \quad \cdot \\ \cdot \quad \cdot \quad \quad \quad \cdot \quad \cdot \quad \cdot \\ a_{n1}x_1 + a_{n2}x_2 + \dots + a_{nn}x_n + y_n = x_n \end{array}$$

This system of  $n$  equations and  $n$  unknowns is related to the national intermediate technical coefficients,<sup>3</sup> the final demand of national goods and the sectoral gross product. The previously-presented system of equations can thus be expressed in terms of sectoral final demand:

$$(12) \quad \begin{array}{l} -a_{11}x_1 + x_1 - a_{12}x_2 \dots - a_{1n}x_n = y_1 \\ -a_{21}x_1 - a_{22}x_2 + x_2 \dots - a_{2n}x_n = y_2 \\ \cdot \quad \cdot \quad \quad \quad \cdot \quad \cdot \quad \cdot \\ \cdot \quad \cdot \quad \quad \quad \cdot \quad \cdot \quad \cdot \\ -a_{n1}x_1 - a_{n2}x_2 \dots - a_{nn}x_n + x_n = y_n \end{array}$$

---

<sup>3</sup>Frequently the system of equations of the model is formulated excluding the equation corresponding to imports:  $m_1X_1 + m_2X_2 + \dots + m_nX_n + M_f = M$ .

that later can be expressed in the following form:

$$(13) \quad \begin{array}{r} (1-a_{11})x_1 - a_{12}x_2 \dots - a_{1n}x_n = y_1 \\ -a_{21}x_1 + (1-a_{22})x_2 \dots + a_{2n}x_n = y_2 \\ \cdot \quad \cdot \quad \quad \quad \cdot \quad \cdot \quad \cdot \\ \cdot \quad \cdot \quad \quad \quad \cdot \quad \cdot \quad \cdot \\ -a_{n1}x_1 - a_{n2}x_2 \dots (1-a_{nn})x_n = y_n \end{array}$$

This group of equations can be expressed in the following system of matrices:

$$(14) \quad \begin{bmatrix} (1-a_{11}) & -a_{12} & \dots & -a_{1n} \\ -a_{21} & (1-a_{22}) & \dots & -a_{2n} \\ \cdot & \cdot & \cdot & \cdot \\ \cdot & \cdot & \cdot & \cdot \\ -a_{n1} & -a_{n2} & \dots & (1-a_{nn}) \end{bmatrix} \cdot \begin{bmatrix} x_1 \\ x_2 \\ \cdot \\ \cdot \\ x_n \end{bmatrix} = \begin{bmatrix} y_1 \\ y_2 \\ \cdot \\ \cdot \\ y_n \end{bmatrix}$$

which can be expressed as:

$$(15) \quad [I-A] \cdot [X] = [Y]$$

In this expression  $[I - A]$  is the Leontief Matrix  $[L]$ . This is a square matrix ( $n \times n$ ) whose elements are negative with the exception of the principal diagonal, which is positive. On the basis of this matrix, the solution of the model is determined by the following expression:

$$(16) \quad [X] = [L]^{-1} \cdot [Y]$$

where the inverse of the Leontief Matrix is known as a multiplier matrix [ R ]. This matrix is square (n x n) and the typical elements are coefficients  $r_{ij}$ , where each of the coefficients is expressed as follows:

$$r_{ij} = \frac{\partial X_j}{\partial Y_i}$$

This coefficient is called the coefficient of direct and indirect production requirements, or the multiplier coefficient. It represents the change in the production of the sector  $j$  as a consequence of the change in final demand of the sector  $i$ .

**APPENDIX B. SECTORS OF THE PERUVIAN ECONOMY.**

<b>CODE</b>	<b>SECTOR</b>	<b>CODE</b>	<b>SECTOR</b>
1	Agriculture	24	Non-metallic Mineral Products Manufacturing
2	Fishing	25	Steel
3	Crude Petroleum Extraction	26	Transformation of Non-Ferrous Metals
4	Mineral Extraction	27	Diverse Metallic Products Manufacturing
5	Dairy Products Manufacturing	28	Non-electric Machinery Construction
6	Fish Preservation	29	Electric Machinery Manufacturing
7	Fish-oil and Fishmeal Production	30	Transport Equipment Manufacturing
8	Wheat and Bread Production	31	Other Manufactured Products
9	Sugar Refining	32	Electricity and Water Supply
10	Other Food Products Manufacturing	33	Construction
11	Tobacco Products Manufacturing	34	Wholesale and Retail Trade
12	Textile Manufacturing	35	Transport and Communications
13	Wearing Apparel Manufacturing	36	Financial Services
14	Leather Manufacturing	37	Insurance
15	Footwear Manufacturing	38	Real Estate
16	Wood and Metal Furniture Manufacturing	39	Services Provided to Enterprises
17	Paper and Paper Products Manufacturing	40	Hotels and Restaurants
18	Publishing and Printing	41	Services Provided to Households
19	Basic Chemical Products and Fertilizer Manufacturing	42	Services Provided to Households□Non-merchandise
20	Pharmaceutical Products Manufacturing	43	Private Health
21	Other Chemical Products Manufacturing	44	Private Education
22	Petroleum Refining	45	Governmental Services
23	Rubber and Plastic Products Manufacturing		

**APPENDIX C. MATRIX OF TECHNICAL COEFFICIENTS  
OF INTERMEDIATE INPUTS [A]**

Sector	1	2	3	4	5	6	7	8	9	10	11
1	0.0445	0.0028	0.0000	0.0024	0.3076	0.0032	0.0000	0.4706	0.5833	0.6312	0.0756
2	0.0000	0.0028	0.0000	0.0000	0.0000	0.4690	0.2784	0.0000	0.0000	0.0000	0.0000
3	0.0000	0.0000	0.0054	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
4	0.0016	0.0000	0.0001	0.0004	0.0000	0.0000	0.0000	0.0000	0.0001	0.0003	0.0000
5	0.0000	0.0031	0.0000	0.0006	0.1966	0.0002	0.0000	0.0012	0.0000	0.0006	0.0000
6	0.0000	0.0001	0.0000	0.0000	0.0000	0.0000	0.0006	0.0000	0.0000	0.0000	0.0000
7	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0252	0.0000
8	0.0068	0.0028	0.0000	0.0006	0.0067	0.0001	0.0000	0.1973	0.0000	0.0065	0.0069
9	0.0044	0.0009	0.0000	0.0005	0.0469	0.0002	0.0000	0.0111	0.0069	0.0164	0.0757
10	0.0663	0.0372	0.0000	0.0065	0.0194	0.0299	0.0000	0.0520	0.0000	0.0743	0.0330
11	0.0000	0.0123	0.0000	0.0004	0.0000	0.0002	0.0000	0.0000	0.0000	0.0006	0.0744
12	0.0033	0.0053	0.0000	0.0006	0.0000	0.0012	0.0000	0.0075	0.0004	0.0064	0.0000
13	0.0000	0.0019	0.0000	0.0006	0.0000	0.0002	0.0028	0.0000	0.0000	0.0000	0.0000
14	0.0001	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
15	0.0000	0.0012	0.0000	0.0013	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
16	0.0023	0.0009	0.0000	0.0027	0.0003	0.0000	0.0000	0.0000	0.0000	0.0000	0.0018
17	0.0000	0.0007	0.0000	0.0004	0.0109	0.0065	0.0029	0.0043	0.0028	0.0044	0.0097
18	0.0000	0.0032	0.0005	0.0019	0.0061	0.0037	0.0000	0.0033	0.0001	0.0015	0.0063
19	0.0726	0.0011	0.0000	0.0165	0.0065	0.0011	0.0116	0.0016	0.0046	0.0046	0.0117
20	0.0070	0.0000	0.0003	0.0040	0.0005	0.0003	0.0000	0.0001	0.0000	0.0027	0.0001
21	0.0000	0.0215	0.0012	0.0262	0.0068	0.0062	0.0050	0.0006	0.0014	0.0030	0.0026
22	0.0045	0.0635	0.0030	0.0342	0.0074	0.0156	0.0771	0.0032	0.0297	0.0027	0.0090
23	0.0007	0.0017	0.0001	0.0102	0.0067	0.0096	0.0247	0.0026	0.0137	0.0029	0.0042
24	0.0000	0.0064	0.0000	0.0062	0.0019	0.0003	0.0000	0.0001	0.0012	0.0009	0.0067
25	0.0022	0.0048	0.0000	0.0273	0.0000	0.0071	0.0113	0.0000	0.0000	0.0002	0.0002
26	0.0000	0.0018	0.0000	0.0053	0.0032	0.0016	0.0090	0.0000	0.0003	0.0002	0.0021
27	0.0041	0.0022	0.0012	0.0058	0.0406	0.0396	0.0016	0.0003	0.0019	0.0024	0.0093
28	0.0031	0.0000	0.0038	0.0164	0.0010	0.0036	0.0296	0.0007	0.0010	0.0007	0.0032
29	0.0000	0.0146	0.0000	0.0075	0.0020	0.0010	0.0177	0.0006	0.0076	0.0006	0.0027
30	0.0027	0.0018	0.0006	0.0064	0.0003	0.0001	0.0000	0.0001	0.0006	0.0001	0.0002
31	0.0000	0.0002	0.0000	0.0030	0.0010	0.0006	0.0002	0.0002	0.0001	0.0001	0.0005
32	0.0007	0.0000	0.0017	0.0507	0.0071	0.0065	0.0309	0.0044	0.0569	0.0036	0.0128
33	0.0000	0.0000	0.0068	0.0001	0.0003	0.0000	0.0000	0.0003	0.0006	0.0006	0.0030
34	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
35	0.0095	0.0296	0.0638	0.0344	0.0407	0.0513	0.0314	0.0120	0.0295	0.0117	0.0213
36	0.0006	0.0023	0.0011	0.0025	0.0023	0.0000	0.0061	0.0007	0.0016	0.0016	0.0009
37	0.0003	0.0061	0.0004	0.0027	0.0006	0.0011	0.0006	0.0007	0.0002	0.0003	0.0009
38	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
39	0.0196	0.0234	0.0028	0.0613	0.0069	0.0279	0.0774	0.0072	0.0134	0.0041	0.0135
40	0.0000	0.0059	0.0006	0.0006	0.0030	0.0030	0.0043	0.0006	0.0040	0.0006	0.0019
41	0.0000	0.0004	0.0001	0.0002	0.0000	0.0009	0.0000	0.0000	0.0000	0.0000	0.0000
42	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
43	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
44	0.0000	0.0025	0.0005	0.0003	0.0000	0.0012	0.0004	0.0000	0.0000	0.0000	0.0000
45	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Sector	12	13	14	15	16	17	18	19	20	21	22
1	0.1475	0.0017	0.0070	0.0000	0.0554	0.0007	0.0001	0.0007	0.0178	0.0103	0.0000
2	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
3	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.1148	0.0000	0.0011	0.8583
4	0.0000	0.0000	0.0000	0.0000	0.0000	0.0003	0.0000	0.0068	0.0005	0.0005	0.0000
5	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0007	0.0015	0.0000
6	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
7	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
8	0.0007	0.0000	0.0000	0.0000	0.0008	0.0000	0.0000	0.0000	0.0005	0.0008	0.0000
9	0.0000	0.0000	0.0000	0.0000	0.0000	0.0705	0.0000	0.0048	0.0080	0.0004	0.0000
10	0.0024	0.0000	0.4387	0.0002	0.0023	0.0048	0.0000	0.0141	0.0121	0.1182	0.0004
11	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0042	0.0025	0.0053	0.0000
12	0.3049	0.5432	0.0070	0.0737	0.0332	0.0023	0.0008	0.0023	0.0014	0.0008	0.0000
13	0.0000	0.0000	0.0002	0.0000	0.0000	0.0000	0.0003	0.0000	0.0000	0.0001	0.0001
14	0.0000	0.0332	0.1038	0.3033	0.0084	0.0000	0.0000	0.0000	0.0000	0.0004	0.0000
15	0.0000	0.0000	0.0000	0.0005	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
16	0.0003	0.0144	0.0008	0.0158	0.3058	0.0012	0.0013	0.0000	0.0005	0.0238	0.0000
17	0.0049	0.0023	0.0010	0.0150	0.0023	0.3815	0.2800	0.0038	0.0139	0.0288	0.0002
18	0.0007	0.0011	0.0001	0.0011	0.0001	0.0088	0.0282	0.0002	0.0058	0.0055	0.0003
19	0.1075	0.0180	0.0911	0.0571	0.0132	0.0598	0.0048	0.3081	0.1221	0.2520	0.0102
20	0.0000	0.0000	0.0000	0.0004	0.0022	0.0000	0.0000	0.0004	0.2987	0.0035	0.0003
21	0.0057	0.0024	0.0412	0.0524	0.0373	0.0128	0.0432	0.0050	0.0155	0.0881	0.0045
22	0.0165	0.0010	0.0044	0.0025	0.0100	0.0421	0.0034	0.0212	0.0080	0.0084	0.0148
23	0.0072	0.0033	0.0047	0.0623	0.0407	0.0063	0.0050	0.0138	0.0181	0.0258	0.0001
24	0.0007	0.0000	0.0027	0.0000	0.0128	0.0016	0.0000	0.0021	0.0389	0.0072	0.0000
25	0.0058	0.0000	0.0012	0.0002	0.0180	0.0019	0.0041	0.0008	0.0000	0.0008	0.0000
26	0.0001	0.0000	0.0000	0.0007	0.0033	0.0085	0.0090	0.0830	0.0082	0.0148	0.0000
27	0.0014	0.0001	0.0070	0.0044	0.0171	0.0014	0.0022	0.0048	0.0088	0.0147	0.0041
28	0.0057	0.0011	0.0039	0.0011	0.0008	0.0067	0.0080	0.0088	0.0039	0.0057	0.0000
29	0.0018	0.0001	0.0005	0.0007	0.0020	0.0044	0.0049	0.0028	0.0043	0.0028	0.0005
30	0.0003	0.0000	0.0004	0.0001	0.0002	0.0008	0.0000	0.0008	0.0002	0.0002	0.0004
31	0.0012	0.0123	0.0052	0.0067	0.0023	0.0005	0.0018	0.0007	0.0019	0.0038	0.0000
32	0.0210	0.0025	0.0089	0.0135	0.0078	0.0841	0.0082	0.0780	0.0080	0.0058	0.0053
33	0.0024	0.0008	0.0031	0.0011	0.0010	0.0030	0.0031	0.0020	0.0028	0.0040	0.0022
34	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
35	0.0158	0.0028	0.0119	0.0117	0.0188	0.0454	0.0113	0.0238	0.0238	0.0328	0.0583
36	0.0082	0.0031	0.0015	0.0050	0.0065	0.0061	0.0030	0.0083	0.0043	0.0031	0.0007
37	0.0017	0.0003	0.0008	0.0018	0.0011	0.0028	0.0018	0.0038	0.0027	0.0028	0.0008
38	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
39	0.0079	0.0058	0.0087	0.0230	0.0073	0.0180	0.0177	0.0109	0.0431	0.0302	0.0019
40	0.0010	0.0003	0.0008	0.0045	0.0034	0.0008	0.0011	0.0014	0.0080	0.0049	0.0002
41	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
42	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
43	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
44	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0002	0.0000	0.0000	0.0003
45	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Sector	23	24	25	26	27	28	29	30	31	32	33
1	0.0381	0.0002	0.0000	0.0003	0.0000	0.0000	0.0000	0.0000	0.0021	0.0001	0.0082
2	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
3	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
4	0.0004	0.0312	0.0341	0.3522	0.0009	0.0003	0.0000	0.0001	0.0083	0.0000	0.0155
5	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
6	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
7	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
8	0.0000	0.0000	0.0000	0.0000	0.0000	0.0001	0.0003	0.0000	0.0000	0.0000	0.0000
9	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
10	0.0000	0.0001	0.0005	0.0002	0.0026	0.0003	0.0003	0.0000	0.0065	0.0001	0.0000
11	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
12	0.0421	0.0028	0.0000	0.0002	0.0003	0.0011	0.0013	0.0147	0.0406	0.0003	0.0000
13	0.0021	0.0000	0.0000	0.0002	0.0000	0.0000	0.0000	0.0005	0.0003	0.0030	0.0000
14	0.0001	0.0000	0.0000	0.0000	0.0004	0.0005	0.0000	0.0017	0.0006	0.0000	0.0000
15	0.0000	0.0000	0.0000	0.0002	0.0000	0.0000	0.0000	0.0001	0.0000	0.0006	0.0000
16	0.0003	0.0013	0.0002	0.0003	0.0017	0.0038	0.0257	0.0065	0.0082	0.0007	0.0456
17	0.0086	0.0382	0.0000	0.0001	0.0140	0.0030	0.0082	0.0050	0.0708	0.0007	0.0032
18	0.0030	0.0011	0.0000	0.0002	0.0006	0.0004	0.0012	0.0010	0.0087	0.0074	0.0011
19	0.3104	0.0367	0.0103	0.0088	0.0363	0.0086	0.0296	0.0196	0.0575	0.0083	0.0006
20	0.0001	0.0000	0.0000	0.0007	0.0015	0.0000	0.0000	0.0002	0.0000	0.0005	0.0000
21	0.0291	0.0043	0.0002	0.0006	0.0322	0.0292	0.0280	0.0183	0.0298	0.0014	0.0418
22	0.0086	0.1074	0.0606	0.0253	0.0067	0.0116	0.0029	0.0049	0.0029	0.0846	0.0281
23	0.0604	0.0294	0.0006	0.0009	0.0052	0.0141	0.0153	0.0305	0.0158	0.0011	0.0075
24	0.0025	0.0847	0.0052	0.0046	0.0166	0.0080	0.0084	0.0107	0.0026	0.0007	0.1277
25	0.0048	0.0014	0.3888	0.0006	0.2453	0.1083	0.0378	0.0510	0.0039	0.0004	0.0638
26	0.0162	0.0041	0.0679	0.0501	0.1757	0.0705	0.3189	0.0671	0.3249	0.0013	0.0052
27	0.0017	0.0044	0.0082	0.0018	0.0229	0.0166	0.0150	0.0211	0.0112	0.0026	0.0251
28	0.0094	0.0086	0.0026	0.0005	0.0063	0.0807	0.0164	0.0140	0.0033	0.0047	0.0106
29	0.0034	0.0122	0.0072	0.0005	0.0071	0.0411	0.0846	0.0188	0.0029	0.0410	0.0146
30	0.0002	0.0017	0.0009	0.0005	0.0013	0.0812	0.0026	0.2990	0.0003	0.0028	0.0011
31	0.0014	0.0006	0.0003	0.0002	0.0019	0.0034	0.0024	0.0014	0.0104	0.0005	0.0015
32	0.0191	0.0649	0.0423	0.0340	0.0116	0.0206	0.0082	0.0136	0.0070	0.0204	0.0014
33	0.0015	0.0019	0.0005	0.0001	0.0024	0.0048	0.0030	0.0035	0.0020	0.0234	0.0000
34	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
35	0.0448	0.0875	0.0279	0.0080	0.0229	0.0355	0.0304	0.0315	0.0114	0.0157	0.0444
36	0.0046	0.0082	0.0052	0.0021	0.0041	0.0087	0.0035	0.0084	0.0027	0.0156	0.0035
37	0.0026	0.0031	0.0012	0.0009	0.0024	0.0043	0.0029	0.0029	0.0013	0.0007	0.0007
38	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
39	0.0189	0.0157	0.0674	0.0074	0.0184	0.0386	0.0206	0.0226	0.0135	0.0305	0.1482
40	0.0023	0.0003	0.0001	0.0004	0.0038	0.0056	0.0020	0.0018	0.0009	0.0024	0.0058
41	0.0000	0.0000	0.0000	0.0001	0.0000	0.0000	0.0000	0.0000	0.0000	0.0014	0.0000
42	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
43	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
44	0.0327	0.0000	0.0031	0.0007	0.0122	0.0000	0.0000	0.0000	0.0000	0.0032	0.0000
45	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Sector	34	35	36	37	38	39	40	41	42	43	44
1	0.0001	0.0000	0.0000	0.0000	0.0000	0.0001	0.0461	0.0000	0.0016	0.0072	0.0000
2	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0350	0.0000	0.0005	0.0060	0.0000
3	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
4	0.0000	0.0001	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0001	0.0000
5	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0117	0.0000	0.0013	0.0023	0.0000
6	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0027	0.0000	0.0002	0.0001	0.0000
7	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
8	0.0000	0.0000	0.0017	0.0000	0.0000	0.0000	0.0186	0.0000	0.0025	0.0053	0.0000
9	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0105	0.0000	0.0014	0.0022	0.0000
10	0.0000	0.0012	0.0000	0.0000	0.0000	0.0000	0.1234	0.0000	0.0135	0.0126	0.0000
11	0.0000	0.0000	0.0039	0.0001	0.0000	0.0000	0.1632	0.0000	0.0063	0.0000	0.0000
12	0.0041	0.0003	0.0000	0.0000	0.0000	0.0003	0.0084	0.0000	0.0071	0.0026	0.0001
13	0.0003	0.0004	0.0051	0.0004	0.0000	0.0000	0.0021	0.0000	0.0000	0.0014	0.0000
14	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
15	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0020	0.0002	0.0000
16	0.0016	0.0012	0.0002	0.0002	0.0000	0.0013	0.0000	0.0000	0.0000	0.0004	0.0033
17	0.0078	0.0018	0.0342	0.0006	0.0000	0.0012	0.0003	0.0002	0.0004	0.0024	0.0062
18	0.0070	0.0067	0.0175	0.0010	0.0000	0.0467	0.0007	0.0005	0.0392	0.0038	0.0309
19	0.0000	0.0000	0.0001	0.0000	0.0000	0.0010	0.0001	0.0048	0.0012	0.0065	0.0002
20	0.0000	0.0002	0.0016	0.0000	0.0000	0.0013	0.0000	0.0000	0.0048	0.1069	0.0010
21	0.0015	0.0010	0.0002	0.0002	0.0000	0.0074	0.0016	0.0034	0.0063	0.0039	0.0163
22	0.0052	0.1394	0.0019	0.0001	0.0000	0.0107	0.0008	0.0040	0.0000	0.0053	0.0035
23	0.0063	0.0226	0.0000	0.0000	0.0000	0.0185	0.0024	0.0006	0.0000	0.0006	0.0006
24	0.0012	0.0003	0.0000	0.0000	0.0000	0.0042	0.0028	0.0000	0.0000	0.0030	0.0171
25	0.0000	0.0001	0.0000	0.0000	0.0000	0.0104	0.0000	0.0000	0.0000	0.0002	0.0000
26	0.0000	0.0011	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0001	0.0000
27	0.0016	0.0008	0.0032	0.0000	0.0000	0.0046	0.0006	0.0017	0.0000	0.0039	0.0025
28	0.0003	0.0044	0.0001	0.0000	0.0000	0.0189	0.0000	0.0000	0.0000	0.0002	0.0035
29	0.0001	0.0058	0.0046	0.0007	0.0000	0.0216	0.0000	0.0192	0.0036	0.0019	0.0137
30	0.0000	0.0163	0.0000	0.0000	0.0000	0.0896	0.0000	0.0000	0.0000	0.0004	0.0000
31	0.0003	0.0005	0.0066	0.0011	0.0000	0.0006	0.0006	0.0010	0.0028	0.0223	0.0137
32	0.0065	0.0016	0.0059	0.0022	0.0000	0.0147	0.0064	0.0309	0.0274	0.0062	0.0100
33	0.0000	0.0052	0.0021	0.0000	0.0355	0.0054	0.0000	0.0000	0.0000	0.0019	0.0000
34	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
35	0.2256	0.1152	0.0175	0.0057	0.0000	0.0341	0.0006	0.0070	0.0066	0.0065	0.0172
36	0.0031	0.0040	0.0045	0.0042	0.0000	0.0006	0.0003	0.0020	0.0019	0.0004	0.0003
37	0.0022	0.0104	0.0028	0.4569	0.0000	0.0036	0.0001	0.0000	0.0000	0.0005	0.0029
38	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
39	0.0437	0.1626	0.0636	0.2377	0.0262	0.0614	0.0186	0.0665	0.0324	0.0265	0.0605
40	0.0209	0.0160	0.0030	0.0029	0.0000	0.0062	0.0000	0.0063	0.0014	0.0009	0.0036
41	0.0034	0.0013	0.0024	0.0002	0.0000	0.0052	0.0031	0.0971	0.0000	0.0019	0.0146
42	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
43	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
44	0.0000	0.0006	0.0018	0.0015	0.0000	0.0006	0.0000	0.0000	0.0000	0.0002	0.0000
45	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Sector	45
1	0.0104
2	0.0021
3	0.0000
4	0.0005
5	0.0031
6	0.0004
7	0.0000
8	0.0080
9	0.0018
10	0.0173
11	0.0017
12	0.0027
13	0.0083
14	0.0000
15	0.0032
16	0.0015
17	0.0041
18	0.0112
19	0.0037
20	0.0109
21	0.0089
22	0.0245
23	0.0021
24	0.0016
25	0.0008
26	0.0001
27	0.0036
28	0.0034
29	0.0017
30	0.0198
31	0.0083
32	0.0088
33	0.0103
34	0.0000
35	0.0146
36	0.0020
37	0.0020
38	0.0000
39	0.0125
40	0.0039
41	0.0020
42	0.0000
43	0.0000
44	0.0027
45	0.0228

**APPENDIX D. MATRIX OF OUTPUTS [A\*]  
OF INTERMEDIATE INPUTS [A]**

Sector	1	2	3	4	5	6	7	8	9	10	11
1	0.0334	0.0002	0.0000	0.0007	0.0140	0.0004	0.0000	0.0892	0.0351	0.3080	0.0103
2	0.0000	0.0015	0.0000	0.0000	0.0000	0.3802	0.0816	0.0000	0.0000	0.0000	0.0000
3	0.0000	0.0000	0.0046	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
4	0.0034	0.0000	0.0001	0.0003	0.0000	0.0000	0.0000	0.0000	0.0000	0.0005	0.0000
5	0.0000	0.0028	0.0000	0.0021	0.0974	0.0002	0.0000	0.0025	0.0000	0.0043	0.0000
6	0.0000	0.0002	0.0000	0.0003	0.0000	0.0000	0.0008	0.0000	0.0000	0.0008	0.0000
7	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0746	0.0000
8	0.0213	0.0011	0.0000	0.0012	0.0015	0.0001	0.0000	0.1835	0.0000	0.0154	0.0046
9	0.0450	0.0010	0.0000	0.0022	0.0280	0.0004	0.0000	0.0286	0.0056	0.1083	0.1430
10	0.0755	0.0045	0.0000	0.0030	0.0013	0.0048	0.0000	0.0150	0.0000	0.0548	0.0089
11	0.0000	0.0063	0.0000	0.0008	0.0000	0.0001	0.0000	0.0000	0.0000	0.0022	0.0559
12	0.0073	0.0013	0.0000	0.0007	0.0000	0.0004	0.0000	0.0043	0.0001	0.0094	0.0000
13	0.0000	0.0009	0.0001	0.0015	0.0000	0.0001	0.0007	0.0000	0.0000	0.0000	0.0000
14	0.0037	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
15	0.0000	0.0017	0.0000	0.0071	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
16	0.0106	0.0005	0.0000	0.0050	0.0001	0.0000	0.0000	0.0000	0.0000	0.0000	0.0016
17	0.0000	0.0008	0.0000	0.0019	0.0078	0.0158	0.0019	0.0127	0.0028	0.0337	0.0208
18	0.0000	0.0017	0.0009	0.0038	0.0025	0.0029	0.0000	0.0043	0.0000	0.0050	0.0078
19	0.2538	0.0004	0.0000	0.0231	0.0014	0.0008	0.0023	0.0014	0.0013	0.0109	0.0075
20	0.0848	0.0000	0.0016	0.0215	0.0004	0.0008	0.0000	0.0004	0.0000	0.0238	0.0002
21	0.0000	0.0121	0.0022	0.0681	0.0022	0.0052	0.0015	0.0011	0.0008	0.0104	0.0028
22	0.0086	0.0190	0.0020	0.0284	0.0009	0.0048	0.0085	0.0016	0.0046	0.0034	0.0032
23	0.0082	0.0015	0.0004	0.0344	0.0034	0.0130	0.0118	0.0080	0.0083	0.0158	0.0085
24	0.0000	0.0038	0.0000	0.0181	0.0007	0.0003	0.0000	0.0001	0.0005	0.0032	0.0088
25	0.0144	0.0033	0.0001	0.0708	0.0000	0.0073	0.0042	0.0000	0.0000	0.0009	0.0003
26	0.0000	0.0005	0.0000	0.0055	0.0005	0.0007	0.0013	0.0000	0.0001	0.0003	0.0010
27	0.0583	0.0034	0.0080	0.0327	0.0351	0.0891	0.0015	0.0010	0.0022	0.0220	0.0241
28	0.0432	0.0000	0.0180	0.0802	0.0008	0.0078	0.0234	0.0023	0.0012	0.0085	0.0081
29	0.0001	0.0081	0.0000	0.0177	0.0007	0.0009	0.0080	0.0013	0.0038	0.0022	0.0029
30	0.0190	0.0013	0.0015	0.0180	0.0001	0.0001	0.0000	0.0002	0.0004	0.0002	0.0003
31	0.0003	0.0003	0.0002	0.0144	0.0007	0.0011	0.0001	0.0005	0.0001	0.0011	0.0011
32	0.0042	0.0000	0.0035	0.1247	0.0027	0.0082	0.0109	0.0089	0.0296	0.0143	0.0144
33	0.0000	0.0000	0.0037	0.0000	0.0000	0.0000	0.0000	0.0001	0.0001	0.0004	0.0007
34	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
35	0.0111	0.0036	0.0255	0.0161	0.0029	0.0086	0.0021	0.0036	0.0028	0.0088	0.0045
36	0.0151	0.0057	0.0087	0.0236	0.0034	0.0000	0.0109	0.0041	0.0034	0.0243	0.0039
37	0.0083	0.0174	0.0031	0.0220	0.0007	0.0035	0.0007	0.0035	0.0004	0.0035	0.0035
38	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
39	0.0336	0.0042	0.0017	0.0419	0.0008	0.0075	0.0075	0.0031	0.0018	0.0045	0.0042
40	0.0000	0.0015	0.0007	0.0008	0.0004	0.0012	0.0008	0.0005	0.0008	0.0007	0.0008
41	0.0000	0.0003	0.0003	0.0008	0.0000	0.0011	0.0000	0.0000	0.0000	0.0000	0.0000
42	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
43	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
44	0.0000	0.0080	0.0036	0.0027	0.0000	0.0043	0.0005	0.0000	0.0000	0.0000	0.0000
45	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Sector	12	13	14	15	16	17	18	19	20	21	22
1	0.0410	0.0002	0.0001	0.0000	0.0057	0.0000	0.0000	0.0001	0.0008	0.0011	0.0000
2	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
3	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0379	0.0000	0.0004	0.8518
4	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0015	0.0001	0.0002	0.0000
5	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0004	0.0017	0.0000
6	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
7	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
8	0.0008	0.0000	0.0000	0.0000	0.0005	0.0000	0.0000	0.0000	0.0001	0.0005	0.0000
9	0.0000	0.0000	0.0000	0.0000	0.0000	0.0508	0.0000	0.0086	0.0040	0.0005	0.0000
10	0.0010	0.0000	0.0083	0.0000	0.0004	0.0004	0.0000	0.0021	0.0008	0.0188	0.0002
11	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0023	0.0007	0.0030	0.0000
12	0.2562	0.2410	0.0003	0.0054	0.0122	0.0004	0.0001	0.0007	0.0002	0.0002	0.0000
13	0.0001	0.0000	0.0000	0.0000	0.0000	0.0000	0.0001	0.0000	0.0000	0.0000	0.0001
14	0.0008	0.2621	0.0778	0.3837	0.0815	0.0001	0.0000	0.0001	0.0000	0.0021	0.0000
15	0.0000	0.0001	0.0000	0.0002	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
16	0.0005	0.0133	0.0000	0.0024	0.2335	0.0004	0.0004	0.0000	0.0001	0.0154	0.0000
17	0.0213	0.0053	0.0002	0.0057	0.0043	0.3158	0.2272	0.0080	0.0108	0.0435	0.0008
18	0.0014	0.0011	0.0000	0.0002	0.0000	0.0031	0.0108	0.0002	0.0020	0.0038	0.0008
19	0.1383	0.0110	0.0088	0.0084	0.0075	0.0147	0.0013	0.1430	0.0282	0.1216	0.0143
20	0.0000	0.0000	0.0000	0.0002	0.0048	0.0000	0.0000	0.0007	0.2858	0.0085	0.0018
21	0.0113	0.0025	0.0041	0.0081	0.0325	0.0048	0.0172	0.0038	0.0055	0.0488	0.0088
22	0.0118	0.0004	0.0002	0.0002	0.0031	0.0057	0.0005	0.0054	0.0010	0.0025	0.0114
23	0.0225	0.0054	0.0007	0.0188	0.0557	0.0037	0.0031	0.0154	0.0101	0.0288	0.0004
24	0.0015	0.0000	0.0003	0.0000	0.0114	0.0006	0.0000	0.0015	0.0135	0.0055	0.0000
25	0.0135	0.0000	0.0001	0.0000	0.0188	0.0008	0.0020	0.0005	0.0000	0.0005	0.0000
26	0.0001	0.0000	0.0000	0.0001	0.0014	0.0015	0.0017	0.0217	0.0014	0.0052	0.0000
27	0.0072	0.0003	0.0018	0.0020	0.0385	0.0014	0.0023	0.0087	0.0084	0.0287	0.0232
28	0.0294	0.0028	0.0010	0.0005	0.0014	0.0085	0.0082	0.0127	0.0038	0.0108	0.0000
29	0.0040	0.0001	0.0001	0.0001	0.0019	0.0018	0.0021	0.0023	0.0017	0.0023	0.0011
30	0.0007	0.0000	0.0000	0.0000	0.0002	0.0004	0.0000	0.0008	0.0001	0.0002	0.0010
31	0.0055	0.0281	0.0012	0.0022	0.0048	0.0004	0.0015	0.0011	0.0015	0.0085	0.0802
32	0.0478	0.0030	0.0010	0.0027	0.0078	0.0277	0.0028	0.0821	0.0025	0.0050	0.0130
33	0.0011	0.0001	0.0001	0.0000	0.0002	0.0003	0.0003	0.0003	0.0002	0.0007	0.0011
34	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
35	0.0088	0.0008	0.0003	0.0004	0.0038	0.0037	0.0010	0.0037	0.0018	0.0053	0.0277
36	0.0718	0.0148	0.0007	0.0038	0.0250	0.0101	0.0053	0.0198	0.0087	0.0100	0.0083
37	0.0125	0.0012	0.0003	0.0012	0.0037	0.0037	0.0027	0.0102	0.0038	0.0078	0.0051
38	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
39	0.0080	0.0018	0.0003	0.0013	0.0020	0.0023	0.0022	0.0025	0.0048	0.0071	0.0013
40	0.0008	0.0001	0.0000	0.0003	0.0013	0.0001	0.0002	0.0005	0.0013	0.0017	0.0002
41	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
42	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
43	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
44	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0008	0.0000	0.0000	0.0028
45	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Sector	23	24	25	26	27	28	29	30	31	32	33
1	0.0020	0.0000	0.0000	0.0001	0.0000	0.0000	0.0000	0.0000	0.0001	0.0000	0.0063
2	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
3	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
4	0.0001	0.0063	0.0075	0.2813	0.0001	0.0000	0.0000	0.0000	0.0009	0.0000	0.0274
5	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
6	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
7	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
8	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0001	0.0000	0.0000	0.0000	0.0000
9	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
10	0.0000	0.0000	0.0001	0.0001	0.0002	0.0000	0.0000	0.0000	0.0004	0.0000	0.0000
11	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
12	0.0066	0.0009	0.0000	0.0001	0.0000	0.0001	0.0002	0.0026	0.0047	0.0001	0.0000
13	0.0006	0.0000	0.0000	0.0004	0.0000	0.0000	0.0000	0.0002	0.0001	0.0017	0.0000
14	0.0004	0.0000	0.0000	0.0001	0.0006	0.0004	0.0001	0.0066	0.0016	0.0000	0.0000
15	0.0000	0.0000	0.0000	0.0006	0.0000	0.0000	0.0000	0.0001	0.0000	0.0010	0.0000
16	0.0001	0.0009	0.0001	0.0005	0.0004	0.0004	0.0063	0.0026	0.0022	0.0004	0.1837
17	0.0060	0.0649	0.0000	0.0003	0.0061	0.0006	0.0063	0.0049	0.0426	0.0010	0.0326
18	0.0011	0.0006	0.0000	0.0004	0.0002	0.0000	0.0005	0.0004	0.0017	0.0047	0.0049
19	0.0749	0.0185	0.0036	0.0118	0.0070	0.0005	0.0079	0.0067	0.0103	0.0037	0.0017
20	0.0001	0.0000	0.0000	0.0035	0.0011	0.0000	0.0000	0.0002	0.0000	0.0006	0.0000
21	0.0106	0.0034	0.0001	0.0017	0.0066	0.0034	0.0106	0.0062	0.0062	0.0006	0.1919
22	0.0013	0.0299	0.0123	0.0166	0.0009	0.0005	0.0004	0.0006	0.0003	0.0229	0.0464
23	0.0351	0.0357	0.0006	0.0029	0.0024	0.0025	0.0066	0.0214	0.0066	0.0012	0.0540
24	0.0010	0.0676	0.0031	0.0069	0.0060	0.0007	0.0035	0.0049	0.0007	0.0006	0.6046
25	0.0022	0.0014	0.2667	0.0021	0.0679	0.0150	0.0167	0.0276	0.0013	0.0003	0.3539
26	0.0029	0.0015	0.0166	0.0603	0.0252	0.0039	0.0633	0.0169	0.0431	0.0004	0.0115
27	0.0016	0.0060	0.0124	0.0066	0.0160	0.0051	0.0163	0.0250	0.0061	0.0047	0.3055
28	0.0060	0.0169	0.0036	0.0029	0.0046	0.0179	0.0173	0.0162	0.0023	0.0061	0.1277
29	0.0014	0.0104	0.0046	0.0012	0.0023	0.0062	0.0262	0.0063	0.0009	0.0304	0.0739
30	0.0001	0.0017	0.0007	0.0014	0.0005	0.0123	0.0014	0.1796	0.0001	0.0025	0.0066
31	0.0012	0.0010	0.0004	0.0006	0.0013	0.0009	0.0022	0.0014	0.0064	0.0007	0.0150
32	0.0061	0.0677	0.0275	0.0610	0.0039	0.0027	0.0039	0.0070	0.0022	0.0156	0.0076
33	0.0001	0.0003	0.0001	0.0000	0.0002	0.0001	0.0003	0.0004	0.0001	0.0036	0.0000
34	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
35	0.0036	0.0146	0.0036	0.0036	0.0015	0.0009	0.0027	0.0031	0.0007	0.0023	0.0445
36	0.0075	0.0213	0.0129	0.0193	0.0063	0.0044	0.0064	0.0166	0.0032	0.0463	0.0717
37	0.0036	0.0060	0.0026	0.0071	0.0027	0.0019	0.0046	0.0049	0.0014	0.0017	0.0127
38	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
39	0.0022	0.0039	0.0122	0.0049	0.0017	0.0013	0.0027	0.0032	0.0012	0.0066	0.2166
40	0.0004	0.0001	0.0000	0.0004	0.0005	0.0003	0.0004	0.0004	0.0001	0.0007	0.0121
41	0.0000	0.0000	0.0000	0.0003	0.0000	0.0000	0.0000	0.0000	0.0000	0.0013	0.0000
42	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
43	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
44	0.0511	0.0000	0.0074	0.0063	0.0153	0.0000	0.0000	0.0000	0.0000	0.0062	0.0000
45	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Sector	34	35	36	37	38	39	40	41	42	43	44
1	0.0001	0.0000	0.0000	0.0000	0.0000	0.0001	0.0150	0.0000	0.0001	0.0004	0.0000
2	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0781	0.0000	0.0002	0.0021	0.0000
3	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
4	0.0001	0.0002	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
5	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0407	0.0000	0.0007	0.0013	0.0000
6	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0229	0.0000	0.0002	0.0001	0.0000
7	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
8	0.0000	0.0000	0.0017	0.0000	0.0000	0.0000	0.0300	0.0000	0.0007	0.0013	0.0000
9	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0465	0.0000	0.0010	0.0015	0.0000
10	0.0000	0.0011	0.0000	0.0000	0.0000	0.0000	0.0610	0.0000	0.0011	0.0010	0.0000
11	0.0000	0.0000	0.0045	0.0000	0.0000	0.0000	0.3271	0.0000	0.0016	0.0000	0.0000
12	0.0105	0.0005	0.0000	0.0000	0.0000	0.0003	0.0082	0.0000	0.0011	0.0004	0.0000
13	0.0017	0.0015	0.0065	0.0001	0.0000	0.0001	0.0041	0.0000	0.0000	0.0004	0.0000
14	0.0000	0.0004	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
15	0.0000	0.0001	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0019	0.0002	0.0000
16	0.0083	0.0048	0.0003	0.0000	0.0000	0.0032	0.0000	0.0000	0.0000	0.0001	0.0000
17	0.1047	0.0171	0.1147	0.0003	0.0000	0.0071	0.0014	0.0005	0.0003	0.0019	0.0028
18	0.0407	0.0282	0.0252	0.0002	0.0000	0.1224	0.0015	0.0004	0.0141	0.0013	0.0080
19	0.0000	0.0000	0.0001	0.0000	0.0000	0.0018	0.0002	0.0028	0.0003	0.0015	0.0000
20	0.0000	0.0026	0.0080	0.0000	0.0000	0.0091	0.0000	0.0000	0.0046	0.1011	0.0005
21	0.0094	0.0044	0.0003	0.0000	0.0000	0.0205	0.0038	0.0030	0.0032	0.0014	0.0033
22	0.0114	0.2220	0.0011	0.0000	0.0000	0.0107	0.0007	0.0013	0.0000	0.0007	0.0003
23	0.0610	0.1571	0.0000	0.0000	0.0000	0.0807	0.0066	0.0006	0.0000	0.0005	0.0003
24	0.0074	0.0013	0.0000	0.0000	0.0000	0.0120	0.0067	0.0000	0.0000	0.0011	0.0036
25	0.0000	0.0003	0.0000	0.0000	0.0000	0.0348	0.0000	0.0000	0.0000	0.0001	0.0000
26	0.0000	0.0023	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
27	0.0283	0.0097	0.0129	0.0000	0.0000	0.0336	0.0037	0.0041	0.0000	0.0037	0.0014
28	0.0054	0.0502	0.0005	0.0000	0.0000	0.1187	0.0000	0.0000	0.0000	0.0002	0.0019
29	0.0005	0.0284	0.0078	0.0002	0.0000	0.0861	0.0001	0.0186	0.0015	0.0006	0.0031
30	0.0000	0.0880	0.0000	0.0000	0.0000	0.3632	0.0000	0.0000	0.0000	0.0002	0.0000
31	0.0036	0.0046	0.0335	0.0005	0.0000	0.0058	0.0030	0.0021	0.0024	0.0184	0.0063
32	0.0455	0.0082	0.0103	0.0005	0.0000	0.0468	0.0172	0.0316	0.0120	0.0025	0.0024
33	0.0000	0.0063	0.0007	0.0000	0.0084	0.0034	0.0000	0.0000	0.0000	0.0002	0.0000
34	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
35	0.3014	0.1114	0.0068	0.0003	0.0000	0.0206	0.0005	0.0014	0.0005	0.0005	0.0005
36	0.0836	0.0772	0.0306	0.0044	0.0000	0.0097	0.0035	0.0079	0.0031	0.0005	0.0003
37	0.0800	0.1748	0.0159	0.4128	0.0000	0.0378	0.0005	0.0001	0.0000	0.0007	0.0022
38	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
39	0.0862	0.2299	0.0407	0.0180	0.0087	0.0543	0.0140	0.0189	0.0039	0.0033	0.0059
40	0.0580	0.0322	0.0021	0.0003	0.0000	0.0103	0.0000	0.0025	0.0002	0.0001	0.0004
41	0.0307	0.0083	0.0053	0.0001	0.0000	0.0212	0.0108	0.1267	0.0000	0.0010	0.0044
42	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
43	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
44	0.0000	0.0120	0.0117	0.0015	0.0000	0.0076	0.0000	0.0000	0.0000	0.0003	0.0000
45	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Sector	46
1	0.0041
2	0.0098
3	0.0000
4	0.0008
5	0.0131
6	0.0042
7	0.0000
8	0.0116
9	0.0098
10	0.0103
11	0.0038
12	0.0032
13	0.0149
14	0.0000
15	0.0228
16	0.0037
17	0.0252
18	0.0297
19	0.0088
20	0.0770
21	0.0192
22	0.0247
23	0.0092
24	0.0047
25	0.0019
26	0.0001
27	0.0287
28	0.0242
29	0.0063
30	0.0723
31	0.0399
32	0.0283
33	0.0098
34	0.0000
35	0.0099
36	0.0245
37	0.0217
38	0.0000
39	0.0112
40	0.0090
41	0.0081
42	0.0000
43	0.0000
44	0.0316
45	0.0183

**APPENDIX E. INVERSE OF THE LEONTIEF MATRIX  $[I-A]^{-1}$**

Sector	1	2	3	4	5	6	7	8	9	10	11
1	1.1127	0.0462	0.0015	0.0177	0.4974	0.0518	0.0199	0.7167	0.6572	0.7803	0.1825
2	0.0006	1.0035	0.0001	0.0003	0.0007	0.4710	0.2799	0.0010	0.0006	0.0061	0.0005
3	0.0296	0.0982	1.0196	0.0592	0.0435	0.0787	0.1187	0.0293	0.0599	0.0330	0.0309
4	0.0078	0.0063	0.0016	1.0131	0.0132	0.0106	0.0144	0.0084	0.0082	0.0078	0.0065
5	0.0001	0.0041	0.0000	0.0010	1.2500	0.0023	0.0013	0.0021	0.0002	0.0013	0.0002
6	0.0000	0.0001	0.0000	0.0000	0.0000	1.0001	0.0006	0.0000	0.0000	0.0001	0.0000
7	0.0021	0.0013	0.0000	0.0004	0.0017	0.0015	1.0005	0.0031	0.0013	0.0287	0.0014
8	0.0066	0.0047	0.0001	0.0015	0.0148	0.0030	0.0016	1.2521	0.0054	0.0150	0.0112
9	0.0075	0.0042	0.0003	0.0021	0.0656	0.0047	0.0025	0.0210	1.0121	0.0243	0.0675
10	0.0632	0.0601	0.0011	0.0150	0.0679	0.0578	0.0182	0.1247	0.0510	1.1408	0.0550
11	0.0010	0.0152	0.0006	0.0016	0.0020	0.0086	0.0080	0.0012	0.0018	0.0022	1.0615
12	0.0075	0.0114	0.0006	0.0053	0.0057	0.0086	0.0080	0.0197	0.0089	0.0162	0.0033
13	0.0001	0.0020	0.0001	0.0012	0.0003	0.0013	0.0037	0.0002	0.0004	0.0002	0.0002
14	0.0002	0.0006	0.0000	0.0007	0.0002	0.0004	0.0004	0.0002	0.0002	0.0002	0.0001
15	0.0000	0.0013	0.0000	0.0014	0.0000	0.0006	0.0004	0.0000	0.0001	0.0000	0.0000
16	0.0043	0.0039	0.0011	0.0070	0.0040	0.0033	0.0036	0.0033	0.0036	0.0036	0.0046
17	0.0039	0.0081	0.0019	0.0095	0.0338	0.0240	0.0136	0.0150	0.0097	0.0133	0.0255
18	0.0024	0.0070	0.0023	0.0082	0.0147	0.0108	0.0087	0.0073	0.0041	0.0047	0.0121
19	0.1270	0.0278	0.0041	0.0568	0.0904	0.0386	0.0529	0.0833	0.0852	0.1084	0.0528
20	0.0118	0.0011	0.0006	0.0086	0.0067	0.0018	0.0010	0.0061	0.0073	0.0126	0.0025
21	0.0033	0.0271	0.0029	0.0342	0.0160	0.0240	0.0196	0.0049	0.0061	0.0076	0.0073
22	0.0162	0.1100	0.0159	0.0610	0.0383	0.0682	0.1304	0.0215	0.0555	0.0240	0.0288
23	0.0058	0.0073	0.0032	0.0192	0.0175	0.0188	0.0355	0.0097	0.0211	0.0103	0.0109
24	0.0019	0.0090	0.0018	0.0123	0.0061	0.0089	0.0053	0.0020	0.0037	0.0033	0.0101
25	0.0106	0.0146	0.0041	0.0594	0.0302	0.0402	0.0384	0.0080	0.0109	0.0115	0.0108
26	0.0135	0.0147	0.0030	0.0280	0.0297	0.0249	0.0354	0.0119	0.0166	0.0141	0.0142
27	0.0067	0.0064	0.0022	0.0102	0.0572	0.0454	0.0073	0.0066	0.0074	0.0082	0.0132
28	0.0064	0.0033	0.0063	0.0224	0.0073	0.0085	0.0376	0.0082	0.0071	0.0073	0.0071
29	0.0031	0.0189	0.0018	0.0166	0.0086	0.0141	0.0322	0.0048	0.0147	0.0051	0.0077
30	0.0109	0.0117	0.0063	0.0274	0.0132	0.0160	0.0250	0.0106	0.0133	0.0106	0.0086
31	0.0004	0.0006	0.0002	0.0038	0.0020	0.0014	0.0012	0.0006	0.0006	0.0006	0.0010
32	0.0148	0.0084	0.0036	0.0661	0.0297	0.0214	0.0486	0.0196	0.0750	0.0201	0.0296
33	0.0015	0.0024	0.0087	0.0039	0.0031	0.0030	0.0043	0.0021	0.0043	0.0024	0.0062
34	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
35	0.0249	0.0572	0.0776	0.0844	0.0890	0.0899	0.0801	0.0394	0.0907	0.0392	0.0452
36	0.0026	0.0040	0.0018	0.0069	0.0083	0.0037	0.0121	0.0034	0.0053	0.0046	0.0032
37	0.0026	0.0177	0.0027	0.0067	0.0057	0.0132	0.0089	0.0044	0.0039	0.0037	0.0043
38	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
39	0.0348	0.0477	0.0205	0.0636	0.0512	0.0747	0.1205	0.0365	0.0482	0.0369	0.0366
40	0.0013	0.0079	0.0024	0.0036	0.0068	0.0089	0.0083	0.0027	0.0082	0.0024	0.0040
41	0.0003	0.0009	0.0004	0.0010	0.0006	0.0019	0.0012	0.0003	0.0006	0.0004	0.0004
42	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
43	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
44	0.0006	0.0031	0.0007	0.0017	0.0016	0.0040	0.0029	0.0006	0.0012	0.0007	0.0006
45	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Sector	12	13	14	15	16	17	18	19	20	21	22
1	0.2483	0.1539	0.4042	0.1586	0.1247	0.0831	0.0330	0.0299	0.0663	0.1334	0.0035
2	0.0003	0.0004	0.0042	0.0016	0.0005	0.0004	0.0002	0.0004	0.0008	0.0014	0.0002
3	0.0750	0.0505	0.0552	0.0589	0.0503	0.1206	0.0469	0.2266	0.0786	0.0963	0.9016
4	0.0131	0.0108	0.0131	0.0138	0.0148	0.0176	0.0125	0.0463	0.0225	0.0270	0.0032
5	0.0001	0.0001	0.0008	0.0005	0.0003	0.0002	0.0002	0.0002	0.0016	0.0024	0.0001
6	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
7	0.0007	0.0009	0.0144	0.0048	0.0008	0.0006	0.0004	0.0007	0.0009	0.0040	0.0001
8	0.0034	0.0022	0.0078	0.0032	0.0031	0.0011	0.0006	0.0007	0.0022	0.0039	0.0002
9	0.0045	0.0037	0.0139	0.0083	0.0033	0.1179	0.0324	0.0086	0.0155	0.0112	0.0006
10	0.0288	0.0386	0.5716	0.1891	0.0320	0.0230	0.0143	0.0282	0.0355	0.1581	0.0030
11	0.0022	0.0016	0.0026	0.0034	0.0025	0.0022	0.0015	0.0078	0.0085	0.0102	0.0009
12	1.4435	0.7872	0.0220	0.1208	0.0780	0.0089	0.0058	0.0085	0.0082	0.0109	0.0012
13	0.0004	1.0003	0.0005	0.0005	0.0004	0.0007	0.0006	0.0007	0.0004	0.0005	0.0002
14	0.0002	0.0374	1.1158	0.3389	0.0153	0.0003	0.0002	0.0002	0.0002	0.0010	0.0001
15	0.0001	0.0001	0.0001	1.0005	0.0000	0.0001	0.0001	0.0002	0.0001	0.0001	0.0000
16	0.0034	0.0233	0.0056	0.0277	1.4441	0.0088	0.0063	0.0028	0.0046	0.0397	0.8018
17	0.0188	0.0178	0.0154	0.0397	0.0170	1.6325	0.4415	0.0156	0.0488	0.0611	0.0038
18	0.0050	0.0049	0.0049	0.0070	0.0044	0.0211	1.0370	0.0054	0.0160	0.0126	0.0039
19	0.2713	0.1884	0.2329	0.2388	0.1202	0.1832	0.0830	1.4774	0.3049	0.4488	0.0240
20	0.0032	0.0022	0.0070	0.0040	0.0067	0.0019	0.0011	0.0021	1.4276	0.0083	0.0012
21	0.0146	0.0147	0.0570	0.0816	0.0658	0.0301	0.0582	0.0145	0.0331	1.0831	0.0087
22	0.0506	0.0336	0.0327	0.0338	0.0421	0.1152	0.0432	0.0649	0.0503	0.0505	1.0417
23	0.0197	0.0172	0.0175	0.0613	0.0716	0.0235	0.0159	0.0278	0.0417	0.0452	0.0059
24	0.0043	0.0035	0.0078	0.0056	0.0238	0.0073	0.0039	0.0072	0.0619	0.0143	0.0026
25	0.0239	0.0159	0.0169	0.0160	0.0564	0.0192	0.0182	0.0154	0.0167	0.0217	0.0072
26	0.0284	0.0243	0.0281	0.0316	0.0314	0.0419	0.0308	0.1108	0.0487	0.0630	0.0088
27	0.0068	0.0054	0.0151	0.0132	0.0300	0.0080	0.0088	0.0108	0.0156	0.0231	0.0070
28	0.0146	0.0104	0.0118	0.0103	0.0088	0.0187	0.0137	0.0161	0.0142	0.0156	0.0089
29	0.0085	0.0086	0.0071	0.0084	0.0080	0.0203	0.0134	0.0143	0.0159	0.0125	0.0038
30	0.0114	0.0087	0.0121	0.0131	0.0101	0.0199	0.0117	0.0138	0.0199	0.0168	0.0108
31	0.0026	0.0142	0.0068	0.0089	0.0045	0.0018	0.0027	0.0019	0.0038	0.0054	0.0004
32	0.0593	0.0404	0.0391	0.0488	0.0337	0.1386	0.0488	0.1275	0.0483	0.0567	0.0117
33	0.0071	0.0052	0.0069	0.0082	0.0045	0.0116	0.0074	0.0082	0.0084	0.0082	0.0117
34	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
35	0.0549	0.0384	0.0520	0.0551	0.0808	0.1247	0.0582	0.0780	0.0797	0.0846	0.1405
36	0.0160	0.0128	0.0087	0.0113	0.0135	0.0158	0.0088	0.0134	0.0114	0.0100	0.0031
37	0.0089	0.0084	0.0085	0.0085	0.0074	0.0137	0.0087	0.0139	0.0135	0.0128	0.0055
38	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
39	0.0432	0.0357	0.0465	0.0618	0.0439	0.0795	0.0528	0.0512	0.1024	0.0783	0.0358
40	0.0038	0.0030	0.0039	0.0080	0.0075	0.0065	0.0038	0.0049	0.0150	0.0081	0.0038
41	0.0005	0.0004	0.0005	0.0006	0.0005	0.0010	0.0006	0.0007	0.0009	0.0008	0.0008
42	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
43	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
44	0.0012	0.0010	0.0011	0.0033	0.0032	0.0017	0.0010	0.0021	0.0021	0.0024	0.0012
45	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Sector	23	24	25	26	27	28	29	30	31	32	33
1	0.0740	0.0128	0.0084	0.0084	0.0152	0.0140	0.0162	0.0205	0.0368	0.0049	0.0280
2	0.0004	0.0002	0.0002	0.0001	0.0004	0.0004	0.0003	0.0003	0.0003	0.0002	0.0005
3	0.1074	0.1512	0.1242	0.0547	0.0729	0.0563	0.0516	0.0567	0.0599	0.0988	0.0775
4	0.0284	0.0456	0.1065	0.3776	0.1022	0.0590	0.1409	0.0691	0.1414	0.0100	0.0409
5	0.0002	0.0001	0.0002	0.0004	0.0003	0.0003	0.0003	0.0002	0.0003	0.0001	0.0003
6	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
7	0.0005	0.0002	0.0001	0.0002	0.0004	0.0003	0.0003	0.0003	0.0005	0.0001	0.0003
8	0.0011	0.0004	0.0004	0.0006	0.0007	0.0007	0.0010	0.0006	0.0008	0.0003	0.0009
9	0.0059	0.0062	0.0012	0.0011	0.0035	0.0022	0.0029	0.0028	0.0106	0.0011	0.0030
10	0.0209	0.0063	0.0052	0.0068	0.0140	0.0111	0.0111	0.0119	0.0210	0.0031	0.0134
11	0.0040	0.0015	0.0012	0.0010	0.0023	0.0025	0.0018	0.0021	0.0018	0.0011	0.0028
12	0.0711	0.0094	0.0029	0.0030	0.0042	0.0080	0.0081	0.0374	0.0844	0.0046	0.0080
13	0.0027	0.0006	0.0006	0.0008	0.0005	0.0005	0.0005	0.0012	0.0008	0.0032	0.0004
14	0.0004	0.0002	0.0002	0.0004	0.0007	0.0011	0.0007	0.0032	0.0012	0.0004	0.0009
15	0.0001	0.0001	0.0002	0.0007	0.0002	0.0001	0.0003	0.0003	0.0003	0.0006	0.0001
16	0.0044	0.0052	0.0036	0.0036	0.0067	0.0127	0.0435	0.0184	0.0175	0.0054	0.0710
17	0.0307	0.0755	0.0080	0.0055	0.0336	0.0172	0.0257	0.0241	0.1277	0.0068	0.0271
18	0.0102	0.0077	0.0100	0.0047	0.0076	0.0075	0.0089	0.0082	0.0127	0.0116	0.0136
19	0.5287	0.1007	0.0476	0.0382	0.1013	0.9829	0.0964	0.1062	0.1516	0.0267	0.9989
20	0.0021	0.0010	0.0015	0.0036	0.0039	0.0014	0.0021	0.0019	0.0022	0.0012	0.0018
21	0.0429	0.0142	0.0100	0.0149	0.0447	0.0454	0.0419	0.0389	0.0447	0.0078	0.0580
22	0.0536	0.1617	0.1375	0.0581	0.0709	0.0567	0.0470	0.0515	0.0456	0.1109	0.0815
23	1.0602	0.0442	0.0118	0.0098	0.0167	0.0305	0.0295	0.0582	0.0286	0.0085	0.9291
24	0.0062	1.0863	0.0144	0.0106	0.0264	0.0150	0.0172	0.0235	0.0094	0.0062	0.1480
25	0.0228	0.0175	1.6587	0.0261	0.4277	0.2233	0.0826	0.1508	0.0279	0.0136	0.1355
26	0.0671	0.0283	0.1380	1.0671	0.2413	0.1416	0.3871	0.1764	0.3709	0.0248	0.0443
27	0.0084	0.0094	0.0188	0.0085	1.0321	0.0276	0.0230	0.0375	0.0173	0.0083	0.0340
28	0.0199	0.0168	0.0128	0.0101	0.0151	1.0739	0.0282	0.0292	0.0119	0.0089	0.0215
29	0.0141	0.0239	0.0241	0.0094	0.0198	0.0588	1.0783	0.0389	0.0116	0.0486	0.0289
30	0.0161	0.0187	0.0298	0.0141	0.0202	0.1416	0.0208	1.4457	0.0132	0.0145	0.0373
31	0.0034	0.0016	0.0016	0.0018	0.0034	0.0051	0.0040	0.0035	1.0120	0.9012	0.0029
32	0.0750	0.0947	0.0828	0.0843	0.0804	0.0537	0.0485	0.0536	0.0548	1.0293	0.0349
33	0.0072	0.0080	0.0084	0.0032	0.0067	0.0094	0.0067	0.0091	0.0069	0.0262	1.0047
34	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
35	0.0972	0.1503	0.0919	0.0419	0.0744	0.0833	0.0729	0.0695	0.0529	0.0435	0.1043
36	0.0121	0.0116	0.0126	0.0055	0.0106	0.0151	0.0088	0.0175	0.0085	0.0177	0.0090
37	0.0131	0.0122	0.0089	0.0059	0.0106	0.0143	0.0113	0.0136	0.0062	0.0038	0.0084
38	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
39	0.0674	0.0651	0.1581	0.0505	0.0878	0.0659	0.0691	0.0847	0.0540	0.0541	0.2054
40	0.0086	0.0045	0.0041	0.0025	0.0072	0.0086	0.0063	0.0063	0.0037	0.0043	0.0107
41	0.0013	0.0008	0.0014	0.0007	0.0011	0.0009	0.0007	0.0009	0.0006	0.0021	0.0015
42	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
43	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
44	0.0381	0.0023	0.0085	0.0017	0.0151	0.0025	0.0022	0.0034	0.0019	0.0039	0.0022
45	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Sector	34	35	36	37	38	39	40	41	42	43	44
1	0.0105	0.0111	0.0080	0.0085	0.0013	0.0105	0.2122	0.0037	0.0227	0.0356	0.0075
2	0.0010	0.0008	0.0002	0.0004	0.0000	0.0005	0.0378	0.0003	0.0009	0.0084	0.0003
3	0.0483	0.1552	0.0149	0.0183	0.0037	0.0348	0.0203	0.0143	0.0102	0.0228	0.0190
4	0.0038	0.0081	0.0050	0.0078	0.0019	0.0180	0.0041	0.0054	0.0030	0.0082	0.0080
5	0.0004	0.0004	0.0001	0.0002	0.0000	0.0002	0.0150	0.0001	0.0017	0.0032	0.0001
6	0.0001	0.0001	0.0000	0.0000	0.0000	0.0000	0.0027	0.0000	0.0002	0.0001	0.0000
7	0.0002	0.0002	0.0001	0.0001	0.0000	0.0002	0.0041	0.0001	0.0005	0.0006	0.0001
8	0.0008	0.0007	0.0024	0.0004	0.0000	0.0005	0.0283	0.0003	0.0037	0.0073	0.0003
9	0.0025	0.0020	0.0056	0.0018	0.0002	0.0029	0.0316	0.0007	0.0042	0.0055	0.0027
10	0.0083	0.0076	0.0033	0.0040	0.0006	0.0084	0.1812	0.0028	0.0197	0.0223	0.0054
11	0.0054	0.0045	0.0053	0.0025	0.0002	0.0028	0.1992	0.0018	0.0075	0.0016	0.0015
12	0.0089	0.0057	0.0081	0.0042	0.0005	0.0073	0.0181	0.0013	0.0119	0.0085	0.0030
13	0.0006	0.0007	0.0052	0.0009	0.0000	0.0004	0.0023	0.0002	0.0002	0.0016	0.0002
14	0.0001	0.0002	0.0003	0.0002	0.0000	0.0005	0.0002	0.0001	0.0007	0.0002	0.0002
15	0.0000	0.0000	0.0000	0.0000	0.0000	0.0001	0.0001	0.0000	0.0020	0.0002	0.0000
16	0.0040	0.0050	0.0021	0.0037	0.0027	0.0088	0.0022	0.0020	0.0014	0.0024	0.0075
17	0.0218	0.0155	0.0688	0.0173	0.0018	0.0306	0.0087	0.0047	0.0213	0.0164	0.0318
18	0.0148	0.0188	0.0245	0.0285	0.0019	0.0546	0.0056	0.0056	0.0435	0.0083	0.0384
19	0.0178	0.0312	0.0165	0.0183	0.0032	0.0385	0.0388	0.0188	0.0183	0.0688	0.0230
20	0.0008	0.0013	0.0027	0.0012	0.0001	0.0028	0.0030	0.0004	0.0074	0.1575	0.0020
21	0.0083	0.0099	0.0054	0.0097	0.0028	0.0200	0.0084	0.0072	0.0132	0.0109	0.0239
22	0.0501	0.1757	0.0151	0.0188	0.0038	0.0350	0.0182	0.0143	0.0084	0.0188	0.0189
23	0.0175	0.0388	0.0054	0.0150	0.0018	0.0324	0.0081	0.0047	0.0036	0.0087	0.0081
24	0.0033	0.0047	0.0021	0.0048	0.0055	0.0102	0.0083	0.0016	0.0014	0.0115	0.0210
25	0.0078	0.0168	0.0079	0.0210	0.0080	0.0462	0.0088	0.0071	0.0040	0.0074	0.0100
26	0.0084	0.0194	0.0125	0.0180	0.0028	0.0387	0.0083	0.0140	0.0073	0.0190	0.0189
27	0.0041	0.0080	0.0054	0.0055	0.0015	0.0118	0.0080	0.0039	0.0017	0.0073	0.0055
28	0.0051	0.0127	0.0040	0.0115	0.0014	0.0252	0.0038	0.0031	0.0024	0.0038	0.0082
29	0.0083	0.0161	0.0089	0.0188	0.0019	0.0335	0.0046	0.0274	0.0075	0.0083	0.0206
30	0.0219	0.0807	0.0164	0.0719	0.0058	0.1613	0.0079	0.0138	0.0073	0.0083	0.0185
31	0.0008	0.0014	0.0104	0.0032	0.0002	0.0020	0.0011	0.0015	0.0032	0.0232	0.0144
32	0.0147	0.0150	0.0184	0.0182	0.0021	0.0319	0.0191	0.0402	0.0338	0.0178	0.0211
33	0.0032	0.0101	0.0039	0.0043	0.0359	0.0088	0.0020	0.0020	0.0017	0.0039	0.0022
34	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
35	0.2723	1.1726	0.0342	0.0429	0.0055	0.0886	0.0232	0.0188	0.0170	0.0250	0.0367
36	0.0088	0.0071	1.0082	0.0102	0.0004	0.0049	0.0025	0.0038	0.0034	0.0027	0.0023
37	0.0108	0.0258	0.0075	1.8538	0.0006	0.0113	0.0028	0.0017	0.0015	0.0038	0.0081
38	0.0000	0.0000	0.0000	0.0000	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
39	0.1030	0.2212	0.1043	0.4871	0.0381	1.0886	0.0385	0.0875	0.0441	0.0502	0.1139
40	0.0288	0.0215	0.0048	0.0107	0.0007	0.0113	1.0020	0.0083	0.0025	0.0035	0.0080
41	0.0049	0.0031	0.0034	0.0035	0.0002	0.0088	0.0038	1.1081	0.0004	0.0024	0.0170
42	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000	0.0000	0.0000
43	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000	0.0000
44	0.0010	0.0025	0.0023	0.0038	0.0001	0.0023	0.0008	0.0005	0.0003	0.0008	1.0006
45	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Sector	46
1	0.0409
2	0.0027
3	0.0358
4	0.0083
5	0.0041
6	0.0004
7	0.0007
8	0.0084
9	0.0045
10	0.0289
11	0.0033
12	0.0124
13	0.0086
14	0.0015
15	0.0034
16	0.0048
17	0.0170
18	0.0145
19	0.0293
20	0.0168
21	0.0127
22	0.0376
23	0.0077
24	0.0057
25	0.0110
26	0.0132
27	0.0089
28	0.0086
29	0.0057
30	0.0351
31	0.0071
32	0.0174
33	0.0123
34	0.0000
35	0.0326
36	0.0039
37	0.0080
38	0.0000
39	0.0312
40	0.0056
41	0.0026
42	0.0000
43	0.0000
44	0.0033
45	1.0234

**APPENDIX F. INVERSE MATRIX OF OUTPUTS  $[I-A^*]^{-1}$**

Sector	1	2	3	4	5	6	7	8	9	10	11
1	1.0661	0.0025	0.0002	0.0033	0.0166	0.0034	0.0004	0.1251	0.0379	0.3535	0.0209
2	0.0007	1.0016	0.0002	0.0004	0.0001	0.3611	0.0621	0.0003	0.0001	0.0071	0.0002
3	0.0296	0.0164	1.0126	0.0361	0.0029	0.0149	0.0104	0.0074	0.0067	0.0194	0.0074
4	0.0062	0.0007	0.0006	1.0059	0.0006	0.0017	0.0009	0.0012	0.0006	0.0043	0.0012
5	0.0007	0.0031	0.0001	0.0026	1.1080	0.0015	0.0003	0.0036	0.0001	0.0055	0.0001
6	0.0001	0.0002	0.0000	0.0003	0.0000	1.0001	0.0007	0.0000	0.0000	0.0007	0.0000
7	0.0065	0.0004	0.0000	0.0004	0.0002	0.0006	1.0000	0.0022	0.0002	0.0611	0.0007
8	0.0297	0.0016	0.0001	0.0020	0.0026	0.0010	0.0002	1.2267	0.0011	0.0300	0.0066
9	0.0631	0.0032	0.0006	0.0054	0.0346	0.0041	0.0006	0.0465	1.0063	0.1412	0.1570
10	0.0672	0.0055	0.0003	0.0052	0.0033	0.0077	0.0006	0.0296	0.0032	1.0677	0.0096
11	0.0020	0.0064	0.0007	0.0022	0.0003	0.0033	0.0009	0.0007	0.0006	0.0041	1.0599
12	0.0131	0.0023	0.0003	0.0030	0.0004	0.0019	0.0007	0.0060	0.0007	0.0163	0.0007
13	0.0004	0.0010	0.0002	0.0022	0.0001	0.0006	0.0009	0.0001	0.0001	0.0006	0.0001
14	0.0060	0.0012	0.0003	0.0050	0.0002	0.0006	0.0004	0.0006	0.0003	0.0023	0.0004
15	0.0001	0.0016	0.0000	0.0073	0.0000	0.0007	0.0002	0.0000	0.0000	0.0001	0.0000
16	0.0161	0.0013	0.0014	0.0066	0.0006	0.0011	0.0004	0.0022	0.0006	0.0062	0.0031
17	0.0244	0.0065	0.0057	0.0275	0.0166	0.0314	0.0072	0.0315	0.0066	0.0746	0.0411
18	0.0091	0.0034	0.0037	0.0144	0.0037	0.0066	0.0021	0.0079	0.0013	0.0119	0.0103
19	0.3311	0.0051	0.0021	0.0463	0.0065	0.0062	0.0055	0.0444	0.0149	0.1333	0.0195
20	0.1426	0.0010	0.0027	0.0325	0.0034	0.0023	0.0005	0.0182	0.0053	0.0621	0.0036
21	0.0062	0.0140	0.0043	0.0655	0.0036	0.0132	0.0036	0.0036	0.0015	0.0172	0.0050
22	0.0196	0.0213	0.0066	0.0401	0.0030	0.0171	0.0119	0.0067	0.0072	0.0167	0.0076
23	0.0274	0.0046	0.0074	0.0525	0.0062	0.0196	0.0147	0.0139	0.0120	0.0344	0.0126
24	0.0057	0.0047	0.0031	0.0236	0.0014	0.0033	0.0009	0.0014	0.0011	0.0075	0.0091
25	0.0364	0.0065	0.0046	0.1119	0.0060	0.0252	0.0063	0.0060	0.0025	0.0203	0.0064
26	0.0130	0.0020	0.0011	0.0156	0.0024	0.0052	0.0026	0.0023	0.0012	0.0074	0.0034
27	0.0769	0.0062	0.0065	0.0466	0.0416	0.0656	0.0036	0.0121	0.0060	0.0535	0.0302
28	0.0642	0.0026	0.0227	0.1079	0.0034	0.0131	0.0265	0.0126	0.0049	0.0356	0.0135
29	0.0069	0.0107	0.0027	0.0306	0.0019	0.0074	0.0067	0.0043	0.0056	0.0066	0.0061
30	0.0506	0.0069	0.0106	0.0533	0.0030	0.0067	0.0059	0.0101	0.0045	0.0247	0.0064
31	0.0034	0.0010	0.0011	0.0179	0.0013	0.0021	0.0009	0.0016	0.0006	0.0042	0.0019
32	0.0369	0.0026	0.0059	0.1439	0.0065	0.0139	0.0135	0.0171	0.0326	0.0400	0.0253
33	0.0006	0.0002	0.0040	0.0013	0.0001	0.0003	0.0002	0.0004	0.0003	0.0011	0.0010
34	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
35	0.0205	0.0069	0.0302	0.0252	0.0046	0.0145	0.0041	0.0065	0.0046	0.0203	0.0076
36	0.0364	0.0064	0.0132	0.0426	0.0062	0.0073	0.0140	0.0127	0.0073	0.0465	0.0066
37	0.0323	0.0334	0.0162	0.0561	0.0043	0.0246	0.0069	0.0146	0.0036	0.0256	0.0115
38	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
39	0.0497	0.0077	0.0114	0.0566	0.0036	0.0155	0.0107	0.0125	0.0054	0.0290	0.0064
40	0.0020	0.0019	0.0019	0.0026	0.0006	0.0025	0.0011	0.0012	0.0011	0.0024	0.0015
41	0.0016	0.0006	0.0011	0.0030	0.0002	0.0021	0.0005	0.0005	0.0003	0.0013	0.0004
42	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
43	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
44	0.0046	0.0069	0.0049	0.0100	0.0013	0.0069	0.0024	0.0016	0.0013	0.0045	0.0016
45	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Sector	12	13	14	15	16	17	18	19	20	21	22
1	0.0803	0.0161	0.0038	0.0020	0.0118	0.0033	0.0010	0.0016	0.0024	0.0091	0.0005
2	0.0003	0.0001	0.0001	0.0001	0.0002	0.0001	0.0000	0.0001	0.0002	0.0004	0.0003
3	0.0316	0.0065	0.0009	0.0016	0.0091	0.0117	0.0040	0.0547	0.0055	0.0135	0.8806
4	0.0037	0.0016	0.0002	0.0003	0.0025	0.0013	0.0011	0.0099	0.0016	0.0040	0.0012
5	0.0002	0.0001	0.0001	0.0001	0.0002	0.0001	0.0001	0.0001	0.0007	0.0022	0.0002
6	0.0001	0.0000	0.0000	0.0000	0.0001	0.0000	0.0000	0.0000	0.0001	0.0001	0.0001
7	0.0006	0.0004	0.0008	0.0004	0.0003	0.0001	0.0001	0.0002	0.0001	0.0017	0.0001
8	0.0036	0.0010	0.0003	0.0002	0.0014	0.0002	0.0001	0.0003	0.0004	0.0014	0.0002
9	0.0094	0.0036	0.0016	0.0014	0.0029	0.0753	0.0176	0.0097	0.0081	0.0094	0.0013
10	0.0076	0.0050	0.0112	0.0047	0.0037	0.0012	0.0007	0.0031	0.0020	0.0222	0.0009
11	0.0022	0.0006	0.0001	0.0003	0.0013	0.0005	0.0003	0.0034	0.0019	0.0048	0.0013
12	1.3447	0.3249	0.0007	0.0078	0.0226	0.0011	0.0008	0.0016	0.0008	0.0018	0.0006
13	0.0011	1.0004	0.0000	0.0001	0.0004	0.0003	0.0002	0.0004	0.0001	0.0003	0.0005
14	0.0020	0.2861	1.0844	0.4273	0.0876	0.0004	0.0003	0.0004	0.0002	0.0042	0.0005
15	0.0001	0.0001	0.0000	1.0002	0.0000	0.0001	0.0000	0.0002	0.0000	0.0001	0.0000
16	0.0034	0.0185	0.0003	0.0035	1.3063	0.0014	0.0015	0.0008	0.0008	0.0221	0.0022
17	0.0719	0.0319	0.0020	0.0119	0.0254	1.4694	0.3406	0.0191	0.0296	0.0792	0.0122
18	0.0092	0.0045	0.0003	0.0009	0.0032	0.0066	1.0130	0.0030	0.0047	0.0074	0.0067
19	0.2469	0.0774	0.0099	0.0163	0.0357	0.0294	0.0118	1.1726	0.0501	0.1600	0.0222
20	0.0102	0.0032	0.0009	0.0009	0.0115	0.0010	0.0006	0.0025	1.3631	0.0123	0.0055
21	0.0209	0.0104	0.0051	0.0123	0.0482	0.0087	0.0208	0.0068	0.0094	1.0558	0.0156
22	0.0259	0.0077	0.0006	0.0011	0.0090	0.0124	0.0041	0.0117	0.0042	0.0061	1.0282
23	0.0433	0.0189	0.0017	0.0196	0.0620	0.0096	0.0071	0.0226	0.0184	0.0413	0.0145
24	0.0055	0.0021	0.0006	0.0006	0.0178	0.0020	0.0010	0.0036	0.0206	0.0067	0.0043
25	0.0340	0.0098	0.0009	0.0014	0.0396	0.0041	0.0049	0.0056	0.0030	0.0088	0.0093
26	0.0096	0.0045	0.0005	0.0010	0.0066	0.0041	0.0036	0.0284	0.0043	0.0121	0.0030
27	0.0230	0.0066	0.0030	0.0043	0.0584	0.0051	0.0049	0.0143	0.0115	0.0373	0.0349
28	0.0540	0.0178	0.0019	0.0025	0.0084	0.0132	0.0106	0.0205	0.0087	0.0193	0.0242
29	0.0134	0.0043	0.0004	0.0009	0.0057	0.0059	0.0043	0.0072	0.0043	0.0080	0.0063
30	0.0180	0.0060	0.0007	0.0015	0.0063	0.0057	0.0033	0.0068	0.0054	0.0066	0.0196
31	0.0125	0.0335	0.0014	0.0032	0.0065	0.0016	0.0023	0.0030	0.0029	0.0064	0.0020
32	0.0903	0.0279	0.0024	0.0058	0.0200	0.0475	0.0152	0.0607	0.0108	0.0229	0.0220
33	0.0023	0.0006	0.0001	0.0002	0.0006	0.0007	0.0005	0.0010	0.0005	0.0011	0.0049
34	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
35	0.0168	0.0056	0.0007	0.0013	0.0064	0.0060	0.0035	0.0063	0.0045	0.0097	0.0589
36	0.1155	0.0462	0.0017	0.0064	0.0416	0.0204	0.0114	0.0315	0.0132	0.0205	0.0232
37	0.0462	0.0154	0.0014	0.0041	0.0165	0.0141	0.0084	0.0265	0.0129	0.0236	0.0348
38	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
39	0.0227	0.0083	0.0010	0.0027	0.0096	0.0079	0.0055	0.0060	0.0069	0.0140	0.0210
40	0.0026	0.0010	0.0001	0.0005	0.0024	0.0007	0.0005	0.0012	0.0021	0.0025	0.0031
41	0.0016	0.0006	0.0000	0.0001	0.0007	0.0005	0.0003	0.0007	0.0004	0.0007	0.0017
42	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
43	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
44	0.0058	0.0022	0.0002	0.0013	0.0064	0.0016	0.0009	0.0038	0.0016	0.0037	0.0087
45	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Sector	23	24	25	26	27	28	29	30	31	32	33
1	0.0029	0.0007	0.0002	0.0013	0.0003	0.0001	0.0005	0.0006	0.0009	0.0003	0.0119
2	0.0001	0.0001	0.0001	0.0002	0.0001	0.0000	0.0001	0.0001	0.0000	0.0001	0.0018
3	0.0074	0.0383	0.0190	0.0325	0.0048	0.0014	0.0049	0.0046	0.0035	0.0223	0.0940
4	0.0020	0.0118	0.0185	0.2988	0.0097	0.0018	0.0204	0.0084	0.0142	0.0013	0.0530
5	0.0001	0.0001	0.0001	0.0008	0.0001	0.0000	0.0001	0.0001	0.0001	0.0001	0.0015
6	0.0000	0.0000	0.0000	0.0001	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0005
7	0.0001	0.0000	0.0000	0.0001	0.0000	0.0000	0.0000	0.0000	0.0001	0.0000	0.0006
8	0.0002	0.0002	0.0001	0.0007	0.0001	0.0001	0.0002	0.0002	0.0001	0.0002	0.0019
9	0.0019	0.0082	0.0007	0.0024	0.0012	0.0003	0.0013	0.0013	0.0038	0.0010	0.0140
10	0.0008	0.0005	0.0003	0.0019	0.0006	0.0002	0.0006	0.0006	0.0009	0.0003	0.0080
11	0.0008	0.0007	0.0004	0.0012	0.0004	0.0002	0.0004	0.0005	0.0003	0.0007	0.0085
12	0.0098	0.0022	0.0003	0.0015	0.0003	0.0002	0.0009	0.0052	0.0087	0.0010	0.0085
13	0.0008	0.0005	0.0003	0.0014	0.0001	0.0001	0.0002	0.0005	0.0002	0.0021	0.0016
14	0.0008	0.0005	0.0004	0.0024	0.0012	0.0007	0.0012	0.0083	0.0021	0.0013	0.0198
15	0.0000	0.0002	0.0002	0.0031	0.0001	0.0000	0.0002	0.0002	0.0002	0.0010	0.0006
16	0.0008	0.0023	0.0009	0.0041	0.0012	0.0008	0.0132	0.0049	0.0035	0.0022	0.2509
17	0.0185	0.1124	0.0077	0.0171	0.0181	0.0034	0.0183	0.0177	0.0889	0.0150	0.1882
18	0.0030	0.0051	0.0042	0.0075	0.0017	0.0007	0.0022	0.0029	0.0030	0.0081	0.0491
19	0.0981	0.0329	0.0084	0.0319	0.0127	0.0023	0.0159	0.0159	0.0184	0.0071	0.0875
20	0.0011	0.0014	0.0015	0.0153	0.0024	0.0003	0.0015	0.0014	0.0011	0.0020	0.0135
21	0.0133	0.0077	0.0031	0.0229	0.0117	0.0043	0.0145	0.0130	0.0108	0.0036	0.2382
22	0.0043	0.0410	0.0218	0.0385	0.0050	0.0016	0.0050	0.0050	0.0032	0.0257	0.1059
23	1.0406	0.0473	0.0083	0.0222	0.0054	0.0041	0.0151	0.0311	0.0100	0.0048	0.1518
24	0.0021	1.0743	0.0082	0.0192	0.0070	0.0013	0.0051	0.0082	0.0021	0.0037	0.8868
25	0.0052	0.0080	1.3708	0.0393	0.1245	0.0230	0.0328	0.0530	0.0056	0.0059	0.5684
26	0.0082	0.0052	0.0280	1.0593	0.0308	0.0058	0.0711	0.0280	0.0471	0.0038	0.0524
27	0.0046	0.0152	0.0213	0.0272	1.0222	0.0088	0.0213	0.0348	0.0109	0.0085	0.3705
28	0.0134	0.0283	0.0120	0.0390	0.0084	1.0197	0.0229	0.0244	0.0080	0.0126	0.2043
29	0.0035	0.0169	0.0107	0.0149	0.0046	0.0063	1.0325	0.0142	0.0024	0.0342	0.1192
30	0.0039	0.0122	0.0130	0.0234	0.0043	0.0167	0.0087	1.2189	0.0027	0.0086	0.1486
31	0.0025	0.0030	0.0021	0.0078	0.0022	0.0013	0.0035	0.0033	1.0073	0.0030	0.0284
32	0.0177	0.0734	0.0485	0.1334	0.0139	0.0050	0.0165	0.0173	0.0124	1.0200	0.1118
33	0.0004	0.0011	0.0005	0.0010	0.0003	0.0002	0.0005	0.0007	0.0003	0.0039	1.0031
34	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
35	0.0058	0.0223	0.0082	0.0144	0.0035	0.0016	0.0051	0.0082	0.0023	0.0054	0.0847
36	0.0132	0.0334	0.0239	0.0404	0.0103	0.0082	0.0123	0.0280	0.0078	0.0514	0.1375
37	0.0118	0.0284	0.0130	0.0345	0.0088	0.0047	0.0133	0.0158	0.0080	0.0083	0.0885
38	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
39	0.0081	0.0142	0.0228	0.0274	0.0081	0.0029	0.0074	0.0091	0.0038	0.0123	0.2787
40	0.0008	0.0013	0.0007	0.0018	0.0008	0.0004	0.0008	0.0009	0.0003	0.0013	0.0198
41	0.0008	0.0009	0.0009	0.0020	0.0004	0.0001	0.0004	0.0005	0.0002	0.0023	0.0090
42	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
43	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
44	0.0539	0.0045	0.0121	0.0117	0.0175	0.0007	0.0023	0.0034	0.0014	0.0108	0.0247
45	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Sector	34	35	36	37	38	39	40	41	42	43	44
1	0.0080	0.0040	0.0011	0.0001	0.0001	0.0018	0.0516	0.0003	0.0008	0.0013	0.0001
2	0.0063	0.0036	0.0003	0.0001	0.0000	0.0011	0.0676	0.0003	0.0003	0.0022	0.0000
3	0.0663	0.2303	0.0055	0.0009	0.0010	0.0222	0.0087	0.0034	0.0008	0.0018	0.0009
4	0.0037	0.0080	0.0014	0.0003	0.0005	0.0071	0.0014	0.0008	0.0002	0.0008	0.0003
5	0.0034	0.0020	0.0002	0.0000	0.0000	0.0007	0.0459	0.0002	0.0008	0.0015	0.0000
6	0.0017	0.0010	0.0001	0.0000	0.0000	0.0003	0.0230	0.0001	0.0003	0.0001	0.0000
7	0.0005	0.0004	0.0000	0.0000	0.0000	0.0002	0.0054	0.0000	0.0001	0.0001	0.0000
8	0.0034	0.0021	0.0024	0.0001	0.0000	0.0007	0.0417	0.0002	0.0009	0.0018	0.0000
9	0.0200	0.0099	0.0110	0.0004	0.0002	0.0056	0.1115	0.0008	0.0020	0.0030	0.0005
10	0.0067	0.0054	0.0008	0.0001	0.0001	0.0020	0.0728	0.0004	0.0014	0.0015	0.0001
11	0.0260	0.0152	0.0061	0.0004	0.0001	0.0048	0.3478	0.0013	0.0021	0.0003	0.0002
12	0.0189	0.0069	0.0029	0.0002	0.0001	0.0041	0.0147	0.0003	0.0017	0.0010	0.0001
13	0.0037	0.0030	0.0068	0.0002	0.0000	0.0008	0.0044	0.0002	0.0001	0.0005	0.0000
14	0.0035	0.0043	0.0024	0.0002	0.0002	0.0043	0.0019	0.0002	0.0009	0.0003	0.0001
15	0.0002	0.0003	0.0000	0.0000	0.0000	0.0002	0.0002	0.0000	0.0019	0.0002	0.0000
16	0.0168	0.0133	0.0018	0.0004	0.0022	0.0097	0.0023	0.0008	0.0002	0.0005	0.0010
17	0.2244	0.0694	0.1904	0.0049	0.0022	0.0763	0.0284	0.0061	0.0073	0.0086	0.0061
18	0.0606	0.0750	0.0339	0.0049	0.0016	0.1364	0.0091	0.0043	0.0152	0.0025	0.0071
19	0.0313	0.0374	0.0075	0.0010	0.0010	0.0274	0.0275	0.0080	0.0021	0.0083	0.0014
20	0.0069	0.0115	0.0085	0.0008	0.0002	0.0151	0.0099	0.0007	0.0085	0.1381	0.0009
21	0.0263	0.0269	0.0048	0.0013	0.0023	0.0365	0.0097	0.0052	0.0040	0.0031	0.0042
22	0.0994	0.2675	0.0081	0.0010	0.0011	0.0247	0.0099	0.0037	0.0008	0.0018	0.0010
23	0.1470	0.2253	0.0067	0.0037	0.0023	0.1122	0.0205	0.0047	0.0012	0.0034	0.0017
24	0.0164	0.0150	0.0023	0.0007	0.0058	0.0219	0.0119	0.0009	0.0003	0.0036	0.0042
25	0.0266	0.0409	0.0073	0.0027	0.0055	0.0658	0.0079	0.0036	0.0007	0.0016	0.0011
26	0.0103	0.0177	0.0044	0.0008	0.0008	0.0214	0.0032	0.0026	0.0005	0.0017	0.0008
27	0.0526	0.0471	0.0185	0.0020	0.0036	0.0593	0.0249	0.0074	0.0010	0.0059	0.0023
28	0.0588	0.1125	0.0106	0.0048	0.0030	0.1479	0.0122	0.0047	0.0013	0.0022	0.0033
29	0.0325	0.0629	0.0140	0.0031	0.0017	0.0649	0.0068	0.0257	0.0026	0.0019	0.0041
30	0.1280	0.2686	0.0235	0.0151	0.0054	0.4809	0.0133	0.0117	0.0024	0.0029	0.0034
31	0.0131	0.0136	0.0361	0.0017	0.0003	0.0100	0.0049	0.0032	0.0027	0.0190	0.0086
32	0.0809	0.0463	0.0217	0.0035	0.0015	0.0702	0.0350	0.0397	0.0133	0.0050	0.0036
33	0.0036	0.0067	0.0012	0.0002	0.0085	0.0046	0.0006	0.0003	0.0001	0.0003	0.0001
34	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
35	0.3544	1.1528	0.0086	0.0017	0.0010	0.0316	0.0072	0.0031	0.0011	0.0015	0.0013
36	0.1348	0.1161	1.0383	0.0089	0.0015	0.0342	0.0152	0.0128	0.0046	0.0029	0.0013
37	0.2155	0.3777	0.0370	1.7057	0.0016	0.0901	0.0135	0.0040	0.0012	0.0036	0.0051
38	0.0000	0.0000	0.0000	0.0000	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
39	0.1933	0.3007	0.0497	0.0336	0.0117	1.0759	0.0237	0.0250	0.0060	0.0062	0.0071
40	0.0725	0.0414	0.0032	0.0010	0.0003	0.0129	1.0013	0.0034	0.0004	0.0005	0.0005
41	0.0452	0.0196	0.0077	0.0011	0.0003	0.0270	0.0131	1.1460	0.0002	0.0013	0.0052
42	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000	0.0000	0.0000
43	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000	0.0000
44	0.0176	0.0327	0.0138	0.0032	0.0004	0.0173	0.0030	0.0012	0.0003	0.0008	1.0003
45	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Sector	48
1	0.0119
2	0.0080
3	0.0295
4	0.0035
5	0.0153
6	0.0044
7	0.0010
8	0.0154
9	0.0182
10	0.0139
11	0.0086
12	0.0113
13	0.0156
14	0.0156
15	0.0231
16	0.0089
17	0.0694
18	0.0366
19	0.0285
20	0.1104
21	0.0287
22	0.0332
23	0.0235
24	0.0137
25	0.0189
26	0.0062
27	0.0415
28	0.0389
29	0.0127
30	0.1033
31	0.0444
32	0.0421
33	0.0074
34	0.0000
35	0.0160
36	0.0388
37	0.0511
38	0.0000
39	0.0243
40	0.0086
41	0.0107
42	0.0000
43	0.0000
44	0.0358
45	1.0186

## BIBLIOGRAPHY

### Books and Book Chapters

- Abugattas, Luis A. "Populism and After: The Peruvian Experience." In *Authoritarians and Democrats: Regime Transition in Latin America*, edited by James M. Malloy and Mitchell A. Seligson. Pittsburgh, PA: University of Pittsburgh Press, 1987.
- Amnesty International. *Amnesty International 1990 Report*. New York: Amnesty International Publications, 1990.
- Anaya, Eduardo. *Los grupos de poder económico: Un análisis de la oligarquía financiera*. Lima: Editorial Horizonte, 1990.
- Angell, Alan. "Incorporating the Left into Democratic Politics." In *Constructing Democratic Governance: Latin America and the Caribbean in the 1990s*, edited by Jorge I. Domínguez and Abraham F. Lowenthal. Baltimore, MD: The Johns Hopkins University Press, 1996.
- Arce Borja, Luis, comp. *Guerra popular en el Perú: El pensamiento Gonzalo*. Brussels: El Diario, 1989.
- Baloyra, Enrique, ed. *Comparing New Democracies*. Boulder, CO: Westview Press, 1987.
- Baring Securities. *Peru: Rediscovering the Trail to Prosperity*. London: Baring Securities, 1993.
- Boloña Behr, Carlos. *Cambio de rumbo: el programa económico para los 90*. Lima: Gráfica Biblos, 1993.
- Boloña Behr, Carlos, and Hernán Büchi Bucc. *Estrategas del cambio*. 2nd ed. Lima: Agenda 2000 Editores, 1991.
- Chenery, Hollis B., and Paul G. Clark. *Interindustry Economics*. New York: John Wiley & Sons, 1959.
- Cotler, Julio. *Clases, estado y nación en el Perú*. Lima: Instituto de Estudios Peruanos (IEP), 1988.
- Dahl, Robert A. *Polyarchy: Participation and Opposition*. New Haven, CT: Yale University Press, 1971.

- \_\_\_\_\_. *Democracy and its Critics*. New Haven, CT: Yale University Press, 1989.
- de Schweinitz, Karl. *Industrialization and Democracy: Economic Necessities and Political Possibilities*. New York: Free Press, 1964.
- De Soto, Hernando. *El otro sendero: la revolución informal*. Bogotá, Colombia: Editorial Oveja Negra, 1987.
- Diamond, Larry, Juan J. Linz, and Seymour Martin Lipset, eds. *Democracy in Developing Countries*. Vol 4, Latin America. Boulder, CO: Lynne Rienner Publishers, 1989.
- Dietz, Henry, and William E. Dugan. "Clases sociales urbanas y comportamiento electoral en Lima: Un análisis de datos agregados." In *Los enigmas del poder: Fujimori, 1990-1996*, edited by Fernando Tuesta Soldevilla. Lima: Fundación Friedrich Ebert, 1996.
- Durand, Francisco. *Business and Politics in Peru: The State and the National Bourgeoisie*. Boulder, CO: Westview Press, 1994.
- Haya de la Torre, Victor Raúl. *El antimperialismo y el Apra*. Santiago, Chile: Ediciones Ercilla, 1936.
- \_\_\_\_\_. *Antología del pensamiento político de Haya de la Torre*. Compiled by Andres Townsend Ezcurra. Lima: Biblioteca Nacional del Perú, 1995.
- Held, David. *Models of Democracy*. Cambridge, MA: Polity Press, 1987.
- Hirschman, Albert O. *The Strategy of Economic Development*. New Haven, CT: Yale University Press, 1958.
- Iguíñiz, Javier, Rosario Basay, and Mónica Rubio. *Los ajustes: Perú, 1975-92*. Lima: Fundación Friedrich Ebert, 1993.
- International Monetary Fund (IMF), *International Financial Statistics Yearbook*. Washington, DC: IMF, 1990 and 1996.
- Irarrázaval, Diego. *Tradición y porvenir andino*. Puno, Peru: Instituto de Estudios Aymaras (IDEA), 1992.

- Jochamowitz, Luis. *Ciudadano Fujimori: La construcción de un político*. 3rd ed. Lima: Promoción Editorial Inca (PEISA), 1994.
- Klarén, Peter F. "Lost Promise: Explaining Latin American Underdevelopment." In *Promise of Development: Theories of Change in Latin America*, edited by Peter F. Klarén and Thomas J. Bossert. Boulder, CO: Westview Press, 1986.
- Klitgaard, Robert. "Strategies for Reform." In *The Global Resurgence of Democracy*, edited by Larry Diamond and Marc F. Plattner. Baltimore, MD: Johns Hopkins University Press, 1993.
- Kruijt, Dirk. *Perú: Entre Sendero y los militares, seguridad y relaciones cívico militares, 1950-1991*. Barcelona: Editorial Robles, 1991.
- Landi, Oscar. "Outsiders, nuevos caudillos y media politics." In *Partidos y clase política en América Latina en los 90*, compiled by Carina Perelli, Sonia Picado S., and Daniel Zovatto. San José, Costa Rica: Instituto Interamericano de Derechos Humanos (IIDH), 1995.
- Lawson, Kay. "When Linkage Fails." In *When Parties Fail: Emerging Alternative Organizations*, edited by Kay Lawson and Peter Merkl. Princeton, NJ: Princeton University Press, 1988.
- Leontief, Wassily. *Studies in the Structure of the American Economy: Theoretical and Empirical Explorations in Input-Output Analysis*. New York: Oxford University Press, 1953.
- Lindbeck, Assar, ed. *Economic Sciences 1969-1980*. River Edge, NJ: World Scientific Press, 1992.
- Lipset, Seymour. *Political Man: The Social Bases of Politics*. 3rd ed. Garden City, NY: Anchor Books, 1963.
- López, Sinesio. "Perú: Una modernización frustrada, 1930-1991." In *Desde el límite: Perú Reflexiones en el umbral de una nueva época*, edited by Juan Abugattas, Rolando Ames, and Sinesio López. Lima: Instituto Democracia y Socialismo, 1992.

- McClintock, Cynthia. "Peru: Precarious Regimes, Authoritarian and Democratic." In *Democracy in Developing Countries: Latin America*. Vol. 4, edited by Larry Diamond, Juan J. Linz, and Seymour Martin Lipset. Boulder, CO: Lynne Rienner Publishers, 1989.
- Malpica, Carlos. *El poder económico en el Perú*. 3 vols. Lima: Mosca Azul Editores, 1989.
- Mariátegui, José Carlos. *Seven Interpretive Essays on Peruvian Reality* (Orig. *Siete ensayos de interpretación de la realidad peruana*, 1928). 2nd paperback ed. Translated by Marjory Urquidí. Austin, TX: University of Texas Press, 1988.
- Matos Mar, José. *Desborde popular y crisis del estado: el nuevo rostro del Perú en la década de 1980*. Lima: Consejo Nacional de Ciencia y Tecnología (CONCYTEC), 1988.
- Merkl, Peter H. "The Challengers and the Party Systems." In *When Parties Fail: Emerging Alternative Organizations*, edited by Kay Lawson and Peter H. Merkl. Princeton, NJ: Princeton University Press, 1988.
- Moore, Barrington. *The Social Origins of Dictatorship and Democracy*. Boston, MA: Beacon Press, 1966.
- O'Donnell, Guillermo A. *Modernization and Bureaucratic Authoritarianism: Studies in South American Politics*. Berkeley, CA: University of California, Berkeley, 1973.
- Pease G. Y., Franklin. *Breve historia contemporánea del Perú*. Mexico City: Fondo de Cultura Económica, 1995.
- Pease García, Henry. *Los años de la langosta: La escena política del Fujimorismo*. Lima: Instituto para la Democracia Local, 1994.
- Perelli, Carina. "La personalización de la política: Nuevos caudillos, outsiders, política mediática y política informal." In *Partidos y clase política en América Latina en los 90*, compiled by Carina Perelli, Sonia Picado S., and Daniel Zovatto. San José, Costa Rica: Instituto Interamericano de Derechos Humanos (IIDH), 1995.

- Perelli, Carina, Sonia Picado S., and Daniel Zovatto, comps. *Partidos y clase política en América Latina en los 90*. San José, Costa Rica: Instituto Interamericano de Derechos Humanos (IIDH), 1995.
- Poole, Deborah, and Gerardo Renique. *Peru: Time of Fear*. London: The Latin America Bureau, 1992.
- Portocarrero, Gonzalo, and Marcel Valcarcel. *El Perú frente al siglo XXI*. Lima: Pontificia Universidad Católica del Perú, 1995.
- Rueschemeyer, Dietrich, Evelyne Huber Stephens, and John D. Stephens. *Capitalist Development and Democracy*. Chicago, IL: University of Chicago Press, 1992.
- Sartori, Giovanni. *Democratic Theory*. Bridgeport, CT: Greenwood Press Publishers, 1973.
- \_\_\_\_\_. *La democracia después del comunismo* (Orig. *La Democrazia Dopo Il Comunismo*). 2nd ed. Translated from Italian by María Luz Morán Calvo-Sotelo. Madrid: Alianza Editorial, 1994.
- Sassen, Saskia. *Losing Control? Sovereignty in an Age of Globalization*. New York: Columbia University Press, 1996.
- Sills, David L., ed. *International Encyclopedia of the Social Sciences*. Vol. 17. New York: The Macmillan Company & the Free Press, 1963.
- Stein, Steve. *Populism in Peru: The Emergence of the Masses and the Politics of Social Control*. Madison, WI: University of Wisconsin Press, 1980.
- Stein, Steve, and Carlos Monge. *La crisis del Estado patrimonial en el Perú*. Lima: Instituto de Estudios Peruanos (IEP) and the University of Miami, 1988.
- Stepan, Alfred. "The New Professionalism of Internal Warfare and Military Role Expansion." In *Armies and Politics in Latin America*, edited by Abraham Lowenthal and J. Samuel Fitch. New York: Holmes and Meier Publishers, 1986.
- Stone, Richard. *Input-Output and National Accounts*. Paris: Organisation for European Economic Co-Operation, 1961.

- Strong, Simon. *Sendero Luminoso: El movimiento subversivo más letal del mundo*. Lima: Perú Reporting EIRL, 1992.
- Sundrum, R. M. *Income Distribution in Less Developed Countries*. New York: Routledge, 1992.
- Thirlwall, A. P. *Growth and Development*. 5th ed. Boulder, CO: Lynne Rienner Publishers, 1995.
- Thorp, Rosemary. *Gestión económica y desarrollo en Perú y Colombia*. Lima: Universidad del Pacífico, Centro de Investigación (CIUP), 1995.
- \_\_\_\_\_. "A Long-Run Perspective on Short-Run Stabilisation Experiences in Peru." In *The Peruvian Economy and Structural Adjustment: Past, Present, and Future*, edited by Efraim Gonzales de Olarte. Coral Gables, FL: North-South Center Press, 1996.
- Thorp, Rosemary, and Geoffrey Bertram. *Peru, 1890-1977: Crecimiento y políticas en una economía abierta*. 2nd ed. in Spanish. Lima: Mosca Azul Editores, 1988.
- Tuesta Soldevilla, Fernando. *Pobreza urbana y cambios electorales en Lima*. Lima: Centro de Estudios y Promoción del Desarrollo (DESCO), 1989.
- Ugarteche, Oscar. *La hegemonía en crisis: desafíos para la economía de América Latina*. Lima: Fundación Friedrich Ebert, 1991.
- United Nations, Department of International Economic and Social Affairs. *International Standard Industrial Classification of all Economic Activities*. Statistical Papers, series M, no. 4, 3rd rev. New York: United Nations, 1990.
- United Nations. *National Accounts Statics: Study of Input-Output Tables, 1970-80*. New York: United Nations, 1987.
- Vargas Llosa, Mario. *El pez en el agua: memorias*. Barcelona: Seix Barral, 1993.
- Weisskoff, Richard. *Factories and Food Stamps: The Puerto Rico Model of Development*. Baltimore, MD: The Johns Hopkins University Press, 1985.

Yepes, Ernesto. *La modernización en el Perú del siglo XX: Economía y política, ilusión y realidad*. Lima: Mosca Azul Editores, 1992.

#### Articles Published in Academic Journals

Bollen, Kenneth A. "Political Democracy and the Timing of Development," *American Sociological Review* 44 (1979).

Chiri, Adolfo F. "International Mobility of Labor Factor: Remittances, an Approximation for the Case of Peru," *The Journal of Latin American Affairs* 2, no. 1 (Spring 1994).

\_\_\_\_\_. "New Parameters in Bilateral Anti-Narcotic Relations: The United States and Peru," *The Journal of Latin American Affairs* 2, no. 2 (1994).

Chenery, Hollis B., and Tsunehiko Watanabe. "International Comparison of the Structure of Production," *Econometrica* 26, no. 4 (1958).

Cutright, Phillips, and James A. Wiley. "Modernization and Political Representation: 1927-1966," *Studies in Comparative International Development* (1969).

Karl, Terry Lynn. "Dilemmas of Democratization in Latin America," *Comparative Politics* (1990).

O'Donnell, Guillermo. "Sobre o estado, a democratização e alguns problemas conceituais: Uma visão Latino-Americana com uma rápida olhada em alguns países pós-comunistas," *Novos Estudos (CEBRAP)* 36 (1993).

Remmer, Karen L. "Exclusionary Democracy," *Studies in Comparative International Development* 20, no. 4 (1985).

Roberts, Kenneth M. "Neoliberalism and the Transformation of Populism in Latin America: The Peruvian Case," *World Politics* 48 (October 1995).

Stokes, Susan C. "Democratic Accountability and Policy Change: Economic Policy in Fujimori's Peru," *Comparative Politics* 29, no. 2 (January 1997).

Yotopoulos, Pan A., and Jeffrey B. Nugent. "A Balanced Growth Version of the Linkage Hypothesis: A Test," *Quarterly Journal of Economics* 87, no. 2 (1973).

## Articles Published in Magazines

- Campodónico, Humberto. "Las relaciones Perú-EE.UU: Dos audiencias polémicas." *Quehacer*, September-October 1992.
- Eguiguren P., Francisco J. "Las relaciones entre gobierno y parlamento en el Perú." *Contribuciones* (Buenos Aires), no. 1 (1995).
- Fernández Orozco, Oscar. "A propósito del Fujigolpe: Entrevista a Pablo Macera." *Revista Debate*, March/May 1993.
- Igartua, Francisco. "Editorial." *Oiga*, 10 April 1995.
- Lauer, Mirko. "A Fujimori el año 1993 se le está agriando rápido." *Sí*, 18-24 January 1993.
- Ortiz de Zevallos M., Felipe. "Cinco errores para no repetir." *Perú Económico*, August 1985.
- \_\_\_\_\_. "En defensa del sistema democrático." *Perú Económico*, September 1987.
- Torres, Alfredo. "¿Cuánto durará la popularidad?" *Revista Debate*, March/May 1993.
- "Fujimori, músculo y pechuga: Por qué preocupa? Y por qué gusta?" *Caretas*, 16 December 1991.
- "Nadie tiene derecho a tirar la primera piedra," *Oiga*, 23 December 1991.
- "El genocidio, método contrainsurgente: Brutal matanza de prisioneros," *El Diario Internacional* (Belgium), no. 13 (May 1992).
- "Nothing Will Stop the Revolution: Gonzalo Thought is Still Free," *El Diario Internacional* (Belgium), no. 14 (September 1992).
- "Interview with Chairman Gonzalo," *A World to Win* (London) 1, no. 3 (November 1992). Reprinted from *El Diario Internacional*, 1988.
- "Elections and Military Tyranny: Fujimori's Geishas, Failure of the November Farce," *El Diario Internacional* (Belgium), no. 17 (January 1993).

"Historia de una traición: Muchos misterios quedarán revelados al conocerse el plan military que se consolidó el 5 del abril de 1992," *Oiga*, 12 July 1993.

"Calentar la política, enfriar la economía," *Caretas*, 11 May 1995.

"Empresarios destacan ingreso al Plan Brady." *Presencia* (Revista de CONFIEP), May 1996.

*Caretas*, 10 February 1992.

*Caretas*, 25 May 1995.

*Caretas*, 20 July 1995.

#### Newspaper Articles

*El Comercio*, 20 December 1991, 15 December 1992, 30 January 1993, 6 November 1994, 11 April 1995.

*Diario Expreso*, 15 March 1992, 20 March 1992.

*El Nuevo Herald*, 8 April 1992, 11 April 1992.

*El Peruano*, 22 November 1992, 24 February 1994.

*La República*, 21 April 1993, 26 May 1993.

#### Public Documents: Colombia, Peru, and the United States

##### Colombia

Instituto Nacional de Estadística. *Matriz de Insumo-Producto Simplificada*, 1980. 1982.

##### Peru

Banco Central de Reserva del Perú. *Club de París: La renegociación de la deuda externa peruana en 1991 y 1993*. June 1994.

\_\_\_\_\_. *Boletín mensual*. Several issues.

Banco Central de Reserva del Perú, Gerencia de Estudios Económicos. *Peru: Compendio de Estadísticas Monetarias, 1959-1995*. June 1996.

Comisión Bicameral Investigadora del Sistema de Seguridad Social of the Peruvian Congress. *Reporte Final*. June 1985.

Comunicado Oficial No. 001, *Comando Conjunto de las Fuerzas Armadas*, 5 April 1992.

Constitución política del Perú, 1979.

Constitución del Perú, 1993.

*Decretos Legislativos 1991: Texto sumullado y concordado de los Decretos Legislativos dictados al amparo de la Ley 25327.* Lima: Editora Perú, Diario Oficial El Peruano, 1992.

Decreto Ley No. 17716, "Ley de reforma agraria."

Decreto Ley No. 18350, "Ley de creación de comunidad industrial."

Decreto Ley No 25418, "Ley de bases del gobierno de emergencia y reconstrucción nacional," 6 April 1992.

Decreto Ley No 25684, "Ley de elecciones para el Congreso Constituyente Democrático," 20 August 1992.

Instituto Nacional de Planificación. *Plan de desarrollo del Perú*. 1972.

Instituto Nacional de Estadística e Informática (INEI). *Cuentas nacionales: Tablas insumo-producto 1991*. 1992.

\_\_\_\_\_. *Perú: estadísticas del sector informal*. August 1992.

\_\_\_\_\_. *Peru: 1 censo de comunidades indígenas de la Amazonía*. 1993.

\_\_\_\_\_. *Nuevo año base de las cuentas nacionales del Perú*. July 1995.

\_\_\_\_\_. *Los ciclos económicos en el Perú, 1950-95*. May 1996.

\_\_\_\_\_. *Anuario estadístico del Perú 1995*. 1997.

Jurado Nacional de Elecciones del Perú. *Resultado de las elecciones generales nacionales del Perú*.

Senado de la República. *Dictamen de la Comisión de Constitución del Senado delegando facultades extraordinarias al poder ejecutivo, para legislar el materia tributaria.* December 1985.

#### United States

U.S. Department of State. Bureau of International Narcotics Matters. *International Narcotics Control Strategy Report.* April 1993.

#### Interviews

Callo, Pedro. Interview by author. Lima, December 1995.

Chacón, Juan. Interview by author. Ananea, Sandia, August 1996.

Condori, Marcelino. Interview by author. Azángaro, Puno, August 1996.

Conza, Saturnino. Interview by author. Villa María del Triunfo, Lima, July 1996.

Cordero, Indalesio. Interview by author. Trujillo, August 1996.

Fujimori, Alberto. Interview by author. Lima, January 1992. Part of the content of the interview was published in as "Interview with the President of Peru, Alberto Fujimori," *North-South Magazine* 2, no. 1 (1992).

Mamani, Victoria. Interview by author. Villa María del Triunfo, Lima, January 1995.

Ortiz, Marino. Interview by author. Lima, August 1996.

PF (General). Interview by author. Lima, January 1995.

SCM. Interview by author. Lima, August 1996.

Vargas, Pancho. Interview by author. Lima, January 1995.

Zapata, Marcelino. Interview by author. Huaycán, Lima, January 1995.

## Speeches

Baker, James (Former U.S. Secretary of State) Address before the OAS. Washington, D.C., 13 April 1992. Reported in the *U.S. Department of State Dispatch*, 20 April 1992.

Fujimori, Alberto. Televised message to the nation, 5 April 1992. Broadcast on *Panamericana Televisión*.

\_\_\_\_\_. Speech to the Assembly of Ministers before the OAS. Nassau, Bahamas, 18 May 1992. Cited in the special supplement to the official newspaper *El Peruano*, 28 July 1992.

\_\_\_\_\_. Address to the Nation. 28 July 1992. Cited in the official newspaper *El Peruano*, 29 July 1992.

\_\_\_\_\_. Speech given at the closing of the 30th *Encuentro anual de ejecutivos CADE '92*. Ica, Peru, 6 December 1992.

Hurtado Miller, Juan (Minister of Economy and Finance). Speech announcing the first economic measures of the government of President Fujimori. 8 August 1992.

Tapia, Carlos. Speech at the Universidad Nacional San Cristóbal de Huamanga, Ayacucho. 20 July 1993. Cited in *Diario La República*, 21 July 1993.

## Reports and Dissertations

Apoyo. *Encuesta del encuentro anual de ejecutivos CADE '94*. October 1994.

Centro Latinoamericano de Demografía (CELADE). *Boletín demográfico*, no. 50. Santiago, Chile: CELADE, July 1992.

Frente Democrático (FREDEMO). *Acción para el cambio: El programa de gobierno del frente democrático*. Lima: FREDEMO, 1989.

International Emergency Committee (IEC). *The International Campaign to Defend the Life of Dr. Abimael Guzmán*. London: IEC, 1993.

International Monetary Fund (IMF). "Peru's Economic Reform Program Yields Positive Results," *IMF Survey*, 2 March 1992.

LASA Delegation on Peru. *The 1995 Electoral Process in Peru*. Report of the Latin American Studies Association, March 1995.

Monge, Carlos. "If the People are Sovereign, the People Must be Fed: Agricultural Policies and Conflicts during the Bustamante y Rivero Administration, Peru 1945-1948." Ph.D. diss., University of Miami, 1993.

Movimiento Cambio-90. *Ideario Cambio-90: Transmisión del Mando Supremo*. Lima: Movimiento Cambio-90, 28 July 1989.

\_\_\_\_\_. *Plan de Gobierno de Cambio-90*. Lima: Movimiento Cambio-90, December 1989.

\_\_\_\_\_. *Lineamientos del plan de gobierno de Cambio-90*. Lima: Movimiento Cambio-90, 1990.

Patrón, Pepi, Nicolás Lynch, Francisco Sagasti, and Max Hernández. *Buen gobierno y desarrollo en el Peru: Hacia una agenda para la gobernabilidad democrática*. Documento de Trabajo del "Agenda: Perú." Lima: Equipo de Trabajo del Proyecto "Agenda: Perú", 1994.

Salinas Sedó, Jaime. "Así fue el intento para recuperar la democracia." In *En defensa de la constitución y el honor del ejercito: 13 de noviembre de 1992*, edited by Francisco Landa V. Lima: Grupo de Periodistas para la Democracia, 1993.

## VITA

Adolfo F. Chiri was born in Puno, Peru. He completed his secondary education in the Salesianos School in Lima, Peru. He studied at the Ricardo Palma University in Lima, where he graduated as an economist in 1976.

He worked as an economist in the National Statistics Institute from 1976-79 and in the Empresa Minero Peru Comercial from 1979-81. In 1981 he began to work as Advisor of Economic Affairs in the Peruvian Congress, where he served as advisor on such committees as the Financial and Economic Commission, the Budget Commission, the Social Security and Health Commission, and the Foreign Trade Commission. He was also advisor on the Commission for Economic and Social Issues of the Andean Parliament. From 1989-90, he was advisor to the first Vice President of the Senate, and from 1990-91, he was appointed as advisor of economic affairs to the Peruvian Vice President.

In the academic arena, he began teaching economic theory in the Department of Economic Sciences at Ricardo Palma University in 1978, where he has served as Associate Professor and Chair of the Department of Economic Sciences. In 1991, he was accepted into the Graduate School of International Studies at the University of Miami and received a scholarship from the North-South Center. He was granted the degree of Master of Arts in August 1995 and the Ph.D. degree in July 1997.

Permanent Address: Valdelomar 721, Lima-21, Peru.