

“Fujipopulism” and The Liberal State in Peru, 1990-1995

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A few weeks before the April 1995 elections, President Alberto Fujimori paid yet another visit to Puno, the southernmost department in Peru's highlands. On the agenda of this visit, the 20th trip that the president had scheduled to this region in less than a year, was a series of events designed to remind skeptical *Puneños* of the tremendous scope and variety of public works and infrastructural projects which the Presidential Ministry was coordinating throughout the department. By this time, every corner of the department had witnessed the construction of a new school or clinic, the repair of some strip of highway, or the renovation of some municipal park. Evidence of new construction was everywhere, along with the black-and-orange signs announcing each project as another initiative sponsored by the main social development agencies linked to the Presidential Ministry. During the visit, the president would inaugurate a few large-scale projects for good measure: a hydroelectric dam, a social security hospital, an ambitious scheme to pipe drinking water from Lake Titicaca, and a project, in partnership with Russian investors, for extracting the region's untapped oil reserves.

Fujimori's preoccupation with a region that national politicians usually ignored was understandable. Just 15 months earlier, the voters of Puno had rejected, by a 4-to-1 margin, the very constitution which now permitted his reelection to a second 5-year term. His stinging defeat

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here and elsewhere in the Andes was widely interpreted as an expression of voter disenchantment with an economic policy which had demanded great sacrifices but had failed to generate any new employment thus far or, for that matter, to show any concern for the plight of those adversely affected by the policy. Now, flush with cash, the president was determined to turn public opinion around before the elections. The Puno visit was typical of the Fujimori trademark style of campaigning in the Andes: with a poncho draped over his dark business suit and a *chullo* (knitted Andean hat) on his head, the president would face the television cameras and regale the (mainly peasant) crowds at each ribbon-cutting or ground-breaking ceremony with his vision of "direct democracy, without parties," as spectators spontaneously burst into chants of "*Chino, Chino, el pueblo está contigo!*"¹

The spectacle of a former university rector, of Japanese descent, bonding with the highland peasants of Peru is, at once, both bizarre and paradoxical. It suggests a new style of populism in an era in which populism is considered not only passé, but also a practical and ideological contradiction, given the redistributive limitations of the liberal state. Populism and economic liberalism are not supposed to coexist in the same political space-time, at least not in the way the two phenomena have been experienced. Past populist movements were joined to demands for economic nationalism, expansion of the state, the implementation of import-substituting industrialization (ISI), and to economic redistribution favoring the working classes (Coniff 1982). In contrast, this new style of populism — which I label "Fujipopulism" — is tied to the retreat of the state from the economy, the expansion of control of private (mainly foreign) capital, and the elimination of many governmental redistributive and allocative functions that favor the working classes.² If classical populism relied upon largesse from an interventionist state, "Fujipopulism" seems to depend on executive philanthropy bankrolled by a liberal state.

Despite these differences, Fujipopulism is remarkably similar to its forerunners. It is anti-elitist and anti-ideological in its orientation, multi-class in composition, autocratic in its style of management. Like its classical prototype, populism of the "Fuji" kind bypasses, and weakens, intermediary institutions and creates new institutions that permit the president to establish a direct, personalistic relationship with the masses. With his "apolitical" emphasis on efficiency and technocratic approach to governance, Fujimori may not fit the classic stereotype of a populist, but he has employed populist strategies and rhetoric as successfully as any of his more traditionally "populist" predecessors.

What accounts for the resurgence of populist politics in the neoliberal context? Is it an historical aberration? A symptom of "authoritarian values" which refuse to go away? An expression of cultural affinities between a charismatic leader and social "outsider" and the popular sectors which feel excluded from power? Or is the phenomenon somehow related to changes in the capacity and structure of the state resulting from recent economic reforms? These questions are of theoretical and practical relevance, as they relate to the broader concern over whether new democracies undergoing economic restructuring will survive the millennium or relapse into new forms of authoritarianism.

Peru is an exceptional case. Of the Latin American countries which have recently undergone democratic transitions, Peru is one of only two (Guatemala is the other) to have experienced a "disruption" in its constitutional order: the *autogolpe* (president's self-coup) of April 1992. It is also unique in the severity of its economic crisis and in the intensity of the violence which plagued its civilian regime during the 1980s. With the exception of Colombia, no country in the Hemisphere has suffered such a profound disintegration of its civil society and in the rule of law. Yet Peru bears a resemblance to other countries who have had regimes characterized by increasingly overpowering executives and submissive legislatures, by weak parties, and by the ascendancy of a new breed of politicians skilled at exploiting institutional weaknesses to expand their own bases of support: Víctor Paz Estenssoro in Bolivia; Carlos Menem in Argentina; and Joaquín Balaguer in the Dominican Republic (Cavarozzi 1994; Ducatenzeiler, *et al.*, 1990; O'Donnell, 1994a and 1994b; Weyland 1994).

This article will argue that "Fujipopulism" is neither an historical coincidence nor a manifestation of "authoritarian cultural attributes," but an outcome influenced by two parallel processes: (1) a radical change in the size, structure, and capacity of the state; and (2) the concentration of decision-making power in the executive branch, with the electorate delegating to the president the right to govern free of oversight by the legislative and judicial branches of government — in short, the syndrome that an influential essay on democratization has aptly labeled "delegative democracy."³ It demonstrates how certain economic reforms combined with the changing of the political rules toward a more centralist, authoritarian direction can produce a dramatic increase in the size, scope, and resources of the executive branch, thus providing a regime with the means to maintain

popular support on the one hand, while securing the allegiance of international creditors, the national bourgeoisie, and the military on the other. In sum, even though conditions would seem not to favor it, a new style of populism has emerged in Peru: a technocratic populism centered on the Olympian presidency of Alberto Fujimori, financed by the spoils of economic liberalism.

UNEXPECTED CONSEQUENCES OF STATE RETREAT

Over the last 15 years, civilian regimes replaced military ones in many countries at the same time that their economies were undergoing an equally dramatic change: from a statist mode to a market-oriented neoliberalism. Since there were few historical precedents for this deliberate introduction of democratic institutions simultaneously with market-oriented reforms, there was considerable uncertainty over what effects the economic restructuring would have on political developments. A principal source of anxiety lay in the changing nature of state-society relations. While there was never any doubt that reducing the role of the state in the economy would carry political repercussions, the exact nature of those repercussions remained unclear. Would the liberal state be in a better — or worse — position to advance the democratization process than its larger, more pervasive, predecessor?

Some analysts have argued that state and market are locked into a zero-sum trade-off, in which a strengthening of the market, accompanied by a corresponding reduction in the size and scope of the state, would work to undermine the state's ability to enforce the rule of law and carry out basic functions, from the accumulation of capital to allocation of public resources (Bresser Pereira, *et al.*, 1994; Cavarozzi, 1994; O'Donnell, 1994b). Others maintain that redrawing the boundaries between public and private would cause the state to withdraw from distributive conflicts, thus forcing those formerly dependent upon the state to "fend for themselves" on the market. One implication was that clientelism and corporatism, and the parties which once thrived on those practices, would be doomed in the new environment (Acuña and Smith, 1994).

Among the outcomes of state restructuring that analysts failed to consider was the possible resurgence of populism. Populism, after all, would appear to be wholly out of synch with the global embrace of neoliberalism. In its many incarnations since World War I, populism had relied, above all, on state intervention and economic redistribution to

hold its mass following together. Populist platforms were largely about gaining control over the state apparatus and, thus, access to patronage and public resources for those sectors of the population that had historically been excluded from both. Populists of the 1930s and 1940s constructed their political platforms around the nationalization of foreign-controlled companies and protection of domestic industry. Once in power, they sought to create state institutions through which society's interests could be harmonized from above, with minimal participation by those groups adversely affected by the reforms.

Populism would therefore have to be considered an unlikely outcome in the contemporary context, given the extent to which its enabling components have been uprooted from the political landscape. Stripped of its capacity to intervene, the liberal state would seem poorly equipped to satisfy the demands of the poor and working classes. Meanwhile, the rhetoric of economic nationalism and protectionism has lost its resonance as public assets are sold to the highest bidders, irrespective of national origin, and barriers to free trade are scrapped. The absence of any viable alternatives to neoliberalism makes it hard to envision how traditional populism could succeed, harder still to imagine how a leader responsible for pawning public resources could draw upon populist sentiments and employ populist strategies without appearing hypocritical or provoking unwanted confrontations with private investors.

Peru's experience should give us pause to reconsider these conclusions. When Peru embarked upon a restructuring process in 1990, its state was one of the largest and most economically influential in Latin America, the product of a massive state-building project deliberately begun, and implemented, by the military regime of General Juan Velasco Alvarado (1968-1975). Nevertheless, despite the size of the state and its ownership of the country's most productive assets, the Peruvian state ultimately proved to be one of the weakest in the region during the 1980s. Not only was it incapable of enforcing the rule of law, inept at macroeconomic management, and ineffective in providing essential services, but it was also unable to sustain what most consider the minimal condition for existence: control over its national territory. That control was contested in some areas of the country by the *Sendero Luminoso*, a guerrilla movement that seemed able, on the one hand, to thrive on the weakness of the state, and erode its capacity to maintain order on the other.

Now, 5 years later, Peru's state apparatus is both smaller and leaner, while its role in the economy has been drastically reduced. The public sector now employs less than 75% of the 523,000 civil servants employed in 1990, and less than half the number that were formerly employed in ministries of the executive branch.⁴ Moreover, following a sweeping program of privatization of state-owned enterprises, the economic preeminence of the state has disappeared as quickly as it rose during the nationalizing fervor of the late 1960s and early 1970s. Despite the reduction in size and function, however, not only is the present Peruvian state *not* weaker, but it is much more capable of maintaining order, more efficient in its daily operations, and more effective at extracting revenues and targeting them for specific developmental needs. The dark side of this new capability, however, is that political power is overwhelmingly concentrated in the executive branch of the central government, which maintains a close, strong alliance with a highly politicized military leadership. Ironically, Peru's leaner, centralized and militarized state has been more successful in promoting "Fujipopulism" than its economically dominant, interventionist predecessor was in advancing the more traditional populist agenda of former President Alán García (1985-1990). The next sections explore this contradiction by examining recent state capacity-enhancing reforms and the political processes that strengthen the president's power to avail himself of this new capacity.

RESTRUCTURING AND STATE CAPACITY IN THE FUJIMORI ERA, 1990-1995

Analysts have devoted a great deal of attention to restructured states and their limitations, which latter are thought to range from a diminished capacity to influence development and generate employment, to a decline in the quality of government bureaucracies, to a degeneration in the rule of law. In focusing on these limitations, what is often overlooked is that such states may acquire newfound capabilities that result from neoliberal reforms.⁵ Among the measures that have been introduced in Peru since 1990, and which have actually expanded the state's capacity, are: (1) privatization of the state-owned enterprises (SOEs), and (2) reform of the tax system plus reorganization of the bureaucracy entrusted with tax collection. Both changes have flooded the treasury with the surplus funds needed to underwrite massive public works and infrastructural development.

1. The Privatization Dividend

States are seldom considered beneficiaries of privatization because of the reduction in real wealth that follows the transfer of assets to the private sector. However, states can profit from this liquidation of assets provided that the bidding on these assets is sufficiently competitive and that the SOEs up for auction are sufficiently efficient to attract potential buyers.⁶ In some cases, the divestment of public assets for a major (albeit one-time) revenue windfall represents a significant net gain only in the short term. This is especially true in the context of bankruptcy and fiscal crisis, such as the situation in which Peru found itself at the end of the 1980s. The Peruvian SOEs ran deficits throughout the 1980s due to poor management, inefficient operation, and undercapitalization, in combination with stagnant export prices. From 1985 to 1990, those deficits grew to staggering proportions, with losses totaling US \$1.6 billion, or an average of \$330 million *per year*. Despite these losses, employment in the public sector actually increased, testifying to the pervasive influence of patronage throughout the state bureaucracy. By 1990, the SOEs had become a serious financial liability, requiring regular infusions of credit to stop the hemorrhaging at a time when the reserves at Peru's central bank had evaporated.

Neither Presidents Belaúnde (1980-1985) nor García (1985-1990) did more than pay lip service to the problem of spiraling public sector deficits. Belaúnde entered office in 1980 with an ambitious plan to privatize segments of the SOE sector but was unable to overcome opposition from organized labor and parties representing labor interests. By the end of his term, only a few minor firms had been privatized; the state would retain control over the banking, mining, fishing, oil and gas industries for the rest of the decade. García displayed even less commitment to this goal than Belaúnde, preferring to lay the blame for economic problems on the inefficiencies of public firms, while technocrats and politicians allied with his administration plundered them for their personal gain (Wise, 1994). As Peru entered the 1990s, most of the SOEs were technically bankrupt, public finances had collapsed, and the possibilities for obtaining credit from abroad had been exhausted.

Alberto Fujimori's surprise election victory in 1990 marked the beginning of a new phase of political-economic development in Peru. Not only was Fujimori elected after he had pledged to avoid the harsh fiscal adjustments promised by the opposition candidate, Mario Vargas Llosa, but also, at least in part, *because* he had explicitly disavowed such

measures. Nevertheless, only a few weeks into his term, Fujimori abandoned these campaign promises to embrace a harsh stabilization policy accompanied by neoliberal reform. In retrospect, this “bait-and-switch” tactic was probably inevitable given the lack of alternatives to restoring ties with the international community and the precarious state of the Peruvian economy at the time.⁷ In the short term, the economic shock measures proved politically costly to the president: support among the popular sectors plummeted, and public opinion polls registered a huge drop in his approval rating by the end of his first year in office.

Along with stabilization, a timetable for privatizing SOEs was considered the *quid pro quo* for normalizing relations with foreign creditors. The decision to start a campaign for privatizing SOEs was by no means unpopular given the extent to which these enterprises had come to be equated with the egregious inefficiency and corruption of the 1980s. A 1990 survey showed that 65% of Peruvians supported “the sale of the majority of SOEs,” while nearly 75% felt that publicly-owned firms were more corrupt and less efficient than private firms. Another survey identified “de-bureaucratizing the state” as the fifth most pressing objective for the new government, behind price control, unemployment, terrorism, and reviving production — and ahead of international financial “reinsertion.”⁸ Privatization was thus driven by a political imperative: the perception that shrinking the state through the sale of SOEs could restore the government’s lost legitimacy.

Despite these pressures, the privatization campaign got off to a shaky start. With the economy still reeling from the impact of the “Fujishocks,” prospective investors were put off by the triple-digit inflation, low interest rates, and high exchange rates. There were political obstacles as well. While a consensus had begun to emerge in the Congress over the need to privatize at least some of the SOEs, there were huge differences of opinion over the scope and pace of such a program. Some of the issues that sparked the most controversy included (a) the lifting of restrictions on the sale of land that had been put in place during the agrarian reform of the Velasco-era (1968-1975), and (b) privatizing social security along the lines of the Chilean model. Both changes implied a radical shift in the relations between the state on the one hand, and the working class and peasantry on the other.⁹

In 1991, the Congress passed a law which established the legal framework by which the state could transfer its assets to the private sector. This law set up the *Comisión de Promoción de la Inversión*

Privada (COPRI or Committee for the Promotion of Private Investment) to oversee the privatization process, arrange financing schemes for its support, and restructure firms still under state ownership to make them more attractive to potential buyers. Yet the initially pessimistic predictions that buyers would tend to shy away from what was obviously a risky investment climate proved correct. Investor response to the first, primarily small-scale, public offerings was less than enthusiastic. By the end of its first year in operation, COPRI had succeeded in selling only 12 (out of a possible 135-182) public firms. Meanwhile the commission drew criticism from various sectors of the business community and opponents of privatization on the grounds that it was undervaluing those assets slated for divestment. For example, the Condestable copper mine, auctioned off in May 1992, was sold at only two-thirds of the nominal value of its shares, an outcome that was highly disappointing in light of the fact that it was one of the state's few mining operations that returned a profit.

However, late in 1992, privatization began to take on momentum as a consequence of two important political events, both of which carried economic repercussions. One was Fujimori's *autogolpe* (5 April 1992), which eliminated all partisan opposition to his structural reform program in the Congress, and the other was the victory of his party, *Cambio 90*, at the polls in the congressional elections held toward the end of the year (November 1992). Besides restoring international aid and credit (which had been cut off in the aftermath of the *autogolpe*), the newly reconstituted Congress eliminated the need to compromise on the more controversial elements of the privatization program, thus giving Fujimori a freer hand to pursue the radical course favored by the country's business elites. A second factor was the decline in "country risk" — i.e., the uncertainty regarding potential returns on investment given the country's overall instability, both economic and political. On the economic front, the element of risk was reduced *via* the stabilization program, which enabled inflation to drop from an average monthly rate of 14.5% (1991) to just 4.7% in 1992. Politically, the perception of risk dropped precipitously in response to a single, yet momentous, event: the capture (September 1992) of *Sendero Luminoso* leader Abimael Guzmán, together with other high-ranking commanders of that guerrilla movement. The capture of Guzmán served to reinforce official claims that terrorism was finally under control and that Peru was, in truth, a stable place for investment.

Following these pivotal events, privatization was able to swing into high gear in 1993-1994, spurred by the continuing improvement in political stability, by the passage of laws designed to attract foreign investment, and by the promise that privatization would continue, which was implied by the adoption of a new constitution that permitted re-election of the president. In February 1994, the government scored the first unqualified success in its privatization campaign with the sale of the Peruvian Telephone Company (CPT) and National Telecommunications Corporation (ENTEL) to an international consortium of investors led by the Spanish telecommunications behemoth Telefónica. What was most surprising about the sale was its spectacular price tag. At US\$2 billion, Telefónica's bid was more than 4 times the price that had been set by COPRI and a billion dollars more than that tendered by its closest competitor.¹⁰ The expectations generated by this telecommunications bonanza spilled over into other industries slated for privatization as well. Working piecemeal, the government was able to unload shares in petroleum, mining, electricity, and gas, using debt-equity financing in the sale of Centromín, the state mining operation. By the end of 1994, the lion's share of the property that had been nationalized under military rule (1968-1975) had been returned to the private sector or was scheduled to be privatized.

The surge in privatization triggered a boom in Peru's fledgling stock market as well. Between 1989 and 1992, the value of shares traded on the *Bolsa de Valores de Lima* had remained around the US\$600 million mark. That value jumped from US\$730 million to almost US\$2 billion in 1993, doubling again — to US\$ 4 billion — in 1994. Meanwhile, the economy was registering its first positive growth in years: 7% in 1993, and a whopping 12% in 1994, which were among the highest rates in the world. In just 4 years, Peru had risen from the doldrums to become the darling of the international financial community. Just 2 short years after the international media had vilified Fujimori for his *autogolpe*, his rehabilitation was complete; he appeared on the cover of *Latin Finance* and *International Time Magazine* under the caption "Man of the Year."

As the profits from privatization crossed the billion-dollar threshold, an important political boundary was crossed as well. If any doubts lingered regarding the government's commitment to carry out a restructuring of the entire economy, they were now laid to rest by the sale of the telecommunications and other privatized industries that ensued. The economic windfall raised political issues of its own, i.e., what to do

with the large surpluses generated by the sale of SOEs. Of the US\$2 billion obtained from the sale of CPT, some US\$1.4 billion was transferred to the Treasury, a sum that represented more than half of the total annual value of exports and 5% of the gross domestic product (GDP). During the first few months of 1995, the total flow into the Treasury exceeded \$3 billion (see Table 1).¹¹

Table 1.
The Privatization Dividend in Peru, 1991-1995 (US \$Millions)*

Privatization	1991	1992	1993	1994	1995**	Total
No. Firms Privatized	2	10	12	18	20	62
Value of Sale (in US\$ millions)	2.5	211	347	2,709	3,367	6,446
Estimated cash flow to Treasury	—	99	163	15,931	1,700	3,030

Source : Elaboration of data presented by PromPeru, *Perú en Cifras* (Lima: April, 1995) Apoyo, S.A.

* = As of March 1995

** = Figures based on author elaboration of data from COPRI

From the outset, debate over the privatization dividend was a low-intensity affair, dominated by short-term political considerations and confined to a tiny circle of macroeconomic policymakers that included the president, a handful of appointed advisors, and representatives from the multilateral lenders. Opposition views, which no longer had a voice in the legislature, had to confine their expression to the print media, non-governmental organizations (NGOs), and research centers in Lima. The alternatives considered included using the proceeds to (1) service the debt or support the balance-of-payments; (2) invest in projects designed to stimulate the economy; (3) alleviate poverty and generate needed employment; or (4) monetarize the dividend in order to provide finance capital for the export sectors. On the other hand, these options were constrained by conditions that framed Peru's agreements with the international lenders, which served to discourage high levels of spending for fear of triggering a relapse into inflation and/or other economic imbalances. As a result, policymakers found themselves in a peculiar dilemma: following years of bankruptcy, the state had finally acquired sufficient financial security to begin addressing long-postponed social needs (bolstering

support for the regime) only to confront restrictions designed to forestall lapses in fiscal discipline that inhibited the freedom to pursue an all-out spending program.

For his part, Fujimori had sought approval to increase social spending as early as December 1992, a few weeks before the 1993 municipal elections, when he notified Michel Camdessus, director of the International Monetary Fund (IMF), of his plans to redirect macro-economic policy away from stabilization and toward *pacification*. Not only would this shift include action on the part of both the police and the military but, as he stated, a “massive program of public investment and job creation” (LAWR, 1993). However, the president’s desire to draw upon reserves of the Central Bank to finance this spending program did not sit well with Finance Minister Carlos Boloña, the Oxford-trained economist who masterminded the successful stabilization program of 1990-1991. Boloña criticized the plan as “governing with an eye on the opinion polls,” resigned his post in December 1992, and joined ranks with a growing clique of neoliberal critics of Fujimori. In January 1993, the new Finance Minister, Jorge Camet, was dispatched to Washington to present the revised economic program, which included, among other things, an allocation of \$800 million for social assistance. The IMF balked at the proposal, interpreting it as a ploy to give government candidates an advantage in the January elections, and conditioned any further negotiations on clearing arrears with the Fund.

Developments in late 1993 brought new urgency to the president’s proposal to increase social spending. Rapid growth in the economy and a dramatic decline in the inflation rate, however impressive, had yet to yield any substantial increases in either employment or real income, particularly for the industrial working classes and popular sectors, and the government’s vulnerability on the issue was becoming more apparent by the day. Although Fujimori’s victory in the constitutional referendum (October 1993) had paved the way for presidential re-election, the narrow margin of the “Yes” vote (52%) made his return to office anything but certain. In fact, the referendum was viewed more as a setback for Fujimori and indication of the opposition’s potential strength as a unified front than as an endorsement of the government. Not only did the constitution fail to achieve the 70% approval rate predicted by pundits and pollsters, but it lost (or came within 5 points of losing) in nearly every rural area of the country, prompting the opposition weekly *Caretas* to label Fujimori “the President of Lima.”

The "defeat" of the Fujimori referendum served as an object lesson: economic considerations aside, the president could no longer afford to alienate those who had been the losers from his economic reforms if he expected to prevail in the upcoming elections, especially now that opponents were drawing attention to the government failure to generate new jobs or real income, both of which remained below their 1988 levels. Though Fujimori remained extremely popular on the whole, polls showed slippage in overall support for his government, particularly among earners in the lower-income brackets, the same groups who had given him his majority in the second-round election of 1990 and who had backed his *autogolpe* in 1992.¹² To make matters worse, straw polls, released in January 1994, indicated that the number of those expressing an intention to vote for the prospective opposition candidate for president, Javier Pérez de Cuéllar, were almost the same as those expressing support for Fujimori.

Meanwhile, the opposition parties, spurred by the strong "No" vote in the referendum, were displaying signs of unity. Veteran politicians who had spent their entire public lives attacking one another now appeared willing to set aside their differences to form a coalition capable of unseating the man they viewed as instrumental in orchestrating the demise of their political careers. At the same time, the *Foro Democrático*, a group of "independents" who had organized in the aftermath of the *autogolpe*, succeeded in raising the issue of democratic consolidation as another avenue of attack against the government, whose respect for democratic norms and procedures since the *autogolpe* had been casual in the extreme, and suspect at best.

If the economy was becoming a crucial factor in the presidential campaign in general and survival of the incumbent in particular, the dividends engendered by the privatizations offered the president both a convenient way out of his dilemma and a chance to nip a partisan revival in the bud — providing, of course, that the international lenders could be persuaded of the need to finance a social spending program. For their part, the international lenders were committed to the enactment of safety net programs that would buffer the effects of adjustment. In fact, several lenders had willingly provided funds to initiate pilot social programs, on a smaller scale, in Peru and other countries undergoing similar reforms. However, they were ambivalent on the issue of using revenues from privatization for this purpose, and they were particularly wary of the inflationary consequences of spending on a massive scale. By 1994, however, lenders had begun to adopt a more

flexible posture in their debt negotiations with Peru. For example, while the IMF team had insisted that the bulk of Peru's proceeds from privatization be used to finance the debt, by 1994, it appeared willing to meet the government halfway in its desire to initiate a large-scale social program. It is not hard to figure out the reasons for this change of heart, or why the IMF might now be persuaded of the need for a more intensive program of job-creation than could be made possible by funds obtained from external donors alone, earmarked for that purpose. It was safer to go along with Fujimori's modest plan to revive the economy and help ensure the reelection of a committed neoliberal than to risk the uncertainty of an alternative outcome. It is also possible that Peru's ability to settle its arrears (April 1993) and resume monthly payments on its debt may have had a determining effect. So, in May 1994, and after lengthy negotiations, the IMF finally agreed to a letter of intent which authorized that \$875 million of the privatization funds could be used for social spending.

Even before these negotiations on the debt were completed, however, Fujimori fired the opening salvo of his campaign by declaring, in February 1994, that at least half the dividends derived from privatization would be used for social assistance and public works. Besides catching opposition politicians off guard, the announcement put Leftists in the uncomfortable position of denouncing an increase in social spending that would actually benefit many of their own "natural" constituents. Many on the Left who had been most critical of the government's failure to cushion the effects of its stabilization policies on the poor were now wary of relinquishing the issue of "social policy" to the president, particularly one who was determined to use that policy for political ends. Editorials in such Left-of-Center dailies as *La República* denounced the plan as no more than a "quick fix" designed to veil deeper social problems, limited in impact, and in its ability to generate long-term, productive employment; while analysts with stellar Leftist credentials worried publicly that big spending in former bastions of Leftist support would undermine already eroding links to weak parties and give Fujimori an undeserved boost in the polls.¹³

Meanwhile, business groups and Right-wing politicians who had continued to support the privatization initiatives, as they had the stabilization policies, expressed concern regarding the potential inflationary impact which an increase in social spending might bring. Many business groups dismissed Fujimori's campaign promise as "fiscal indiscipline," advocating prudent policies of "economic consolidation"

instead, in the form of tax reduction, export promotion, debt service, investment, and other measures aimed at bolstering Peru's image as a safe haven for investment. Even the pro-government *Expreso* denounced using the proceeds from privatization for any purposes other than investment, repayment of the debt, or savings as tantamount to "decapitalization" although it was otherwise willing to support any initiative that appeared likely to affect partisans of the opposition adversely (DESCO Resumen Semanal, 1994).

Within this highly politicized climate, the dividends from privatization were now added to a growing pool of state resources earmarked for the massive social spending program. Another important contributor to this pool of resources that is deserving of attention is fiscal reform, particularly the reorganization of the state tax agency, the *Superintendencia Nacional de Administración Tributaria* (SUNAT or the Superintendent of Tax Administration), and changes in the structure of the tax system.

2. Tax Reform, Revenue Recovery, Fiscal Centralization.

Throughout the 1980s, tax revenues in Peru declined until they finally bottomed out in 1989 as the result of hyperinflation, expansion of a tax-evading informal sector, and administrative incompetence and inefficiency. This shortfall in state revenues coincided with the exhaustion of reserves and Peru's failure to qualify for overseas credit (in retaliation for García's refusal to allot more than 10% of export earnings to service the debt), which created a fiscal crisis of unprecedented proportions (see Fig. 1). As sources of public funds evaporated, many state agencies ceased to function, and the salaries of civil servants, in real terms, plummeted. In 1990, defense spending (at US\$245 million) was slashed to half the amount that had been allocated for that purpose in the previous year's budget (US\$544 million), eroding military strength, discipline, and morale just as the *Sendero Luminoso* was expanding its range of operations and consolidating control over some areas of the country (statistics cited in Palmer, 1993). Ironically, as the state finances teetered on the brink of bankruptcy, *Sendero* was raking in millions of dollars in "revenue" obtained from its control over the market for coca leaf and the paste derivative used in the manufacture of cocaine.

Consequently, by 1990 revamping the Peruvian tax system had become a political and economic imperative, and multilateral lenders were bringing strong pressure to bear on the government to take steps

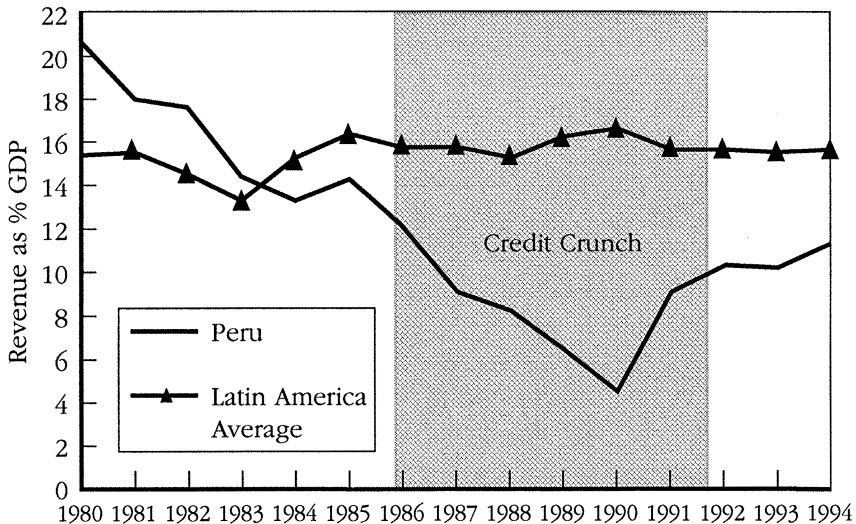
to return state revenues to a more acceptable level (above 10% of GDP) as a precondition for future credit. Fujimori appointed an economist, Manuel Estela, to oversee a reorganization of both the SUNAT and the tax system he had inherited. The system was an arcane maze of complexity which encouraged evasion on the part of businesses and individuals alike, and which served to multiply the transaction cost of collecting taxes. There were, in 1990, around 200 different kinds of taxes and 33 classifications of taxpayers. Tax rates were given to fluctuating yearly, while the collection of taxes was notoriously lax, and corruption ran rampant within the SUNAT bureaucracy.

The thrust of the tax reform was to eliminate those taxes which were economically insignificant and cut the number of payer classifications, simplifying the overall tax structure and eliminating its main sources of inefficiency. SUNAT was to be streamlined and given more autonomy, in keeping with the agency's 1988 charter. Between 1991 and 1993, the number of taxes were reduced to a mere half dozen, collection of taxes was improved, and the tax rates raised for both individuals and property. With special authority conferred by the president, SUNAT was not only able to crack down on tax evaders and close offending businesses until the necessary payments were made, but was able to make several widely publicized (and criticized) raids on street vendors who failed to comply with tax laws as well.

The new policy produced some surprising results. Even in the hyperinflationary context of 1990-1991, the government succeeded in reversing the trend toward declining revenues (which had begun in 1980) to the point that it was able to show a significant increase in revenues by the end of 1991. At only 8%, the ratio of revenues to GDP was still on the low side; nevertheless, this still represented a substantial improvement over the all-time low of 5% racked up in 1989-90. In 1992, revenues reached the 10% of GDP mark demanded by the International Monetary Fund (IMF), and they would continue to climb upward in 1993 and 1994.

Two factors prompted the government to consider a second round of tax reforms late in 1993. The first was that revenues had appeared to stagnate in 1993, a situation that seemed to call for a shift in approach if the administration ever hoped to achieve its ambition of reaching an average of 12-13% of GDP. The second factor was that the president's party had made only a poor showing in the municipal elections held in January (1993). Prior to the elections, Fujimori had sought to increase the power of municipalities to serve as a counter-

Figure 1.
Peru's Revenue Recovery



weight to that of the political parties and their local organizations. However, when the *Cambio 90* slate lost in most of the major municipalities, the president attempted to reverse this position by introducing a second package of decrees. The main effects (as well as the probable intent) of this new package, summarily adopted by the legislature without even the pretense of debate, were to centralize executive control over fiscal policy by depriving municipal governments of their economic prerogatives. The new reform touched off a major controversy reminiscent of historic disputes between regional and central government authorities in the past.

At the center of the controversy was the Municipal Tax Law, better known as Legislative Decree #776. This law modified city tax rates on property and sales throughout the country, effectively shrinking municipal budgets by some 79% compared to the previous year. It also established a Municipal Compensation Fund, linked to the executive branch, whose mission was to dole out the revenues received from taxes to municipalities for public works, taking over the job traditionally carried out by city authorities. This brought down the ire of said authorities, who decried LD #776 as a flagrant, unconstitutional usurpation of municipal authority and compared the maneuver to García's unpopular proposal to nationalize the banks (1987) and Velasco's

expropriations of the 1970s (Resumen Semanal, 1994). The measure was also viewed as an attack against provincial mayors and politicians who had helped to mobilize the “No” votes in the referendum, and as a blow aimed at Fujimori’s more potent adversaries — among them the popular mayors of Lima and Cusco, Ricardo Belmont and Daniel Estrada, both of whom were capable of attracting support outside their respective regions and thus presenting an electoral challenge to Fujimori. Indeed, Belmont, a popular, wisecracking television entrepreneur, was considering making a bid for the presidency himself at the time the decrees were enacted.

In one fell swoop, then, the offensive against the municipalities expanded the reach of the central government, gave Fujimori (and a handful of loyal advisors) greater discretion over a much larger budget, and created a legal pretext for executive intervention at the local level. At the same time, the reform deprived municipal governments of control over their own finances, forced them into a subservient position *vis-à-vis* the central government, and converted at least some of the major municipalities into bastions of opposition in the process. Owing to the windfalls coming in from the privatization proceeds and increased tax revenues, the reserves of the Central Bank — over which the executive now had unimpeded leverage — were now considerably larger. From a deficit of \$143 million which the Central Bank had inherited from the previous government, the Bank’s reserves had climbed to over \$6 billion by the end of 1994 (see Table 2).

Table 2.
Trend in Net International Reserves
1980-1994 (US \$Millions)

Month	Year	Net Reserves
December	1980	1,085
↓	1985	971
	1990	-143
	1991	754
	1992	1,578
	1993	2,469
December	1994	6,043

Sources: Author’s elaboration of Cuánto (1993, 1994) and Banco Central de Reserva del Peru 1995 data

Ironically, both the tax reform and the privatization program achieved exactly the effect at which the former president, Alán García, had been aiming when he made his famous pledge to limit payments on the debt to no more than 10% of export earnings. One of the anticipated benefits of the policy, aside from the surge in popularity which accompanied García's defiant stance, was the freeing up of reserves needed to finance social spending, through such government programs as the *Programa de Apoyo de Ingreso Temporal* (PAIT or Temporary Income Assistance Program). At the time, it was thought that a massive social spending program would help to regain the support of the lower classes, which his party, the *Alianza Popular Revolucionaria Americana* (APRA), had lost to the Left during the 1970s. In the end, García's ploy not only led to disastrous economic consequences, but it also alienated the electoral base which had helped to bring the *apristas* to power. A decade later, Fujimori succeeded in accomplishing the same objective through economic orthodoxy and a policy of appeasement toward the international financial community.

With the cash reserves and fiscal machinery in place, the Ministry of Economy and Finance dipped into the Central Bank reserves, withdrawing 6% (or about \$500 million) of those reserves between January and March 1995 in order to fund the program for infrastructure and public works.¹⁴ During the 1994-95 election campaign, these resources would prove crucial in helping Fujimori overcome the contradiction of soliciting the support of the very sectors on whom he had turned his back by instituting such harsh stabilization policies during his first year in office. The creation of a new machinery, under executive supervision, to carry out social policy enabled the president to campaign as a new kind of populist, promising — and delivering — employment and extolling the virtues of technocratic efficiency while continuing to espouse his ideal of "direct democracy without political intermediaries." Meanwhile, Fujimori's neoliberal track record allowed him to reassure elites of his intention to consolidate the economic reforms underway.

INSTITUTIONAL BASES OF FUJIPOPULISM

Structural reforms enhanced the state's ability to carry out a populist strategy of job creation and social assistance. How was the president able to make use of this ability and turn it to his advantage? This section examines four of Fujipopulism's institutional "pillars:" (1) a civil-military pact, in which the military lends the regime support in exchange for the protection of its prerogatives; (2) the creation/reactivation of social development agencies, controlled by the executive branch, which bypass pre-existing institutions; (3) the re-centralization of political authority; and (4) the exhaustion of partisan alternatives to Fujimori, which provides a constituency ripe for coöptation and lends resonance and legitimacy to the Fujipopulist vision of "direct democracy." These four factors have concentrated power and resources in the executive branch, enabling the president to maximize his impact at the local level and to expand his own social and geographical base of support.

1. Civil-Military Pact

For a president who came to power without the backing of an organized party, military support has been crucial, not only in protecting Fujimori from the threat of a *coup* and/or insurgency, but also by guaranteeing that liberal reform would continue in the context of a politically unstable environment.¹⁵ The dependence cuts both ways, of course, given the costs associated with the diplomatic and economic isolation that would likely follow any *coup* by the military that proved successful. The reciprocity between civilian and military leaders in Peru has led many analysts to speak of a "symbiotic pact" between the executive branch and military leadership, in which the military's support for Fujimori is conditioned on protecting their political prerogatives and on guarantees of legal immunity from prosecution for violations associated with either human rights or the drug traffic. As the latter condition has been a sore point in Peru's diplomatic relations, this arrangement is fraught with tension. Each time some external actor appears to threaten these guarantees, a crisis ensues that forces the president to intervene on behalf of the military in order to shore up his *de facto* support, even if there is a political price to be paid in the coin of public opinion. For its part, the military has upheld its side of the bargain in exchange for executive protection, and it is that aspect of the pact — i.e., the obligations of the military to the president — to which the discussion now turns.

Between 1990 and the *autogolpe* of April 1992, the military was divided over its relationship with the Fujimori government. While a dominant, "institutionalist" faction resisted attempts by the government to draw the military into the political arena, another dissident faction disagreed, apparently willing to accept a more politicized role in exchange for certain guarantees. Adroitly manipulating these divisions, Fujimori and his national security advisor, Vladimiro Montecinos, secured the allegiance of this supportive faction by identifying, and promoting to key positions, those officers sympathetic to their position, while forcing into retirement those officers hostile to these advances. By late 1991, the politicized faction, led by army commander General Nicolás de Bari Hermoza Ríos, had acquired control over all three branches of the military. Hermoza demonstrated his new political orientation early in 1992 when he endorsed a number of presidential decrees that had recently been rejected by the Congress. Besides breaking with the military's supposed institutional neutrality, Hermoza's declaration of support for the president violated the 1979 constitution, which barred military officers from expressing partisan preferences in public.¹⁶ In retrospect, this new executive-military pact against the Congress and constitution forecast the shape of things to come and set the stage for the presidential *autogolpe* of 5 April 1992.

Acción Civica and Fujipopulism: After the *autogolpe*, and suppression of a counter-*coup* led by (Ret.) General Jaime Salinas Sedó (November 1992), the politicization of the military accelerated. In part, the expansion of the military's role was the result of a bigger budget after years of austerity; in part, it was due to the success of the pacification campaign, which allowed the military's resources to be diverted away from conventional counter-insurgency operations into *acción civica* (civic action): i.e., the use of the military for a broad range of internal policing functions in order "to make every entity comply with the function for which it was created" (LASA, 1995: 33). To a large extent, the new role was defined and enlarged by Fujimori, under whose directives the military was enlisted to perform house-to-house searches for suspected *senderistas* in Lima's shantytowns in July 1992, to occupy the so-called "red universities," and to monitor the comings and goings of suspected "subversives." Soldiers were also dispatched to erase *senderista* graffiti and distribute food to rural communities and urban *barrios*. Military support was used in developmental and policing functions, such as supervising infrastructure projects and protecting tax collectors as they made their rounds in dangerous Lima neighborhoods (Mauceri, 1995).

In 1993, the military extended its sphere of civic operations into the realm of electoral politics and, more specifically, into the service of helping the president gain re-election. Although Fujimori had not yet declared himself a candidate, it was widely assumed that he would do so in light of his desire to modify the constitution so as to permit a second term. The fact that the constitution was rejected by many departments in the highlands drove home the message that re-electing the president would require building an organization with the capacity to coordinate a nationwide campaign on the one hand, yet capable of targeting the presumed areas of opposition on the other. Since the president had taken pains to prevent his *Cambio 90-Nueva Mayoría* from evolving into an institutionalized party (and thereby pose a contradiction to his vehement opposition to parties), the military was the logical choice to take charge of mobilizing his support and circulating the main theme of the campaign: that Peru could not afford to lose Fujimori and, by extension, the ground gained against terrorism and a stagnant economy, a sentiment that was captured concisely in the slogan: “¡El Perú no puede parar!”¹⁷

Working in the president's favor was the fact that the military continued to exercise a high degree of control over the highland departments, which were still under states of emergency. In the central highland departments of Ayacucho and Junín, regional military commanders had succeeded in obtaining the confidence of the populations under their jurisdiction. In large part, the improvement in the military's reputation in these areas was due to its success in organizing, arming, and training peasant civil defense committees (*rondas campesinas*) to protect rural communities against incursions by the guerrillas. From 1990 onward, the numbers of army-organized *rondas* grew rapidly until, by 1994, there were a total of 4,205 *rondas*, made up of 235,465 *ronderos* (del Pino, 1994: 138-39). *Rondas* also extended over a broad geographic area, so that they covered nearly every district in those departments in which *Sendero* had once been active.¹⁸ Relations between military commanders and the civil defense committees were not always harmonious; *ronderos* themselves were frequently accused of committing abuses on the job. Yet the strategy brought stability to the country's areas of greatest conflict, and local *comuneros* viewed the new approach as a vast improvement over the strategy of all-out repression, which the military had originally employed, with disastrous results, in the early and mid 1980s.

Since the guerrilla threat had subsided by the end of 1993, military and *ronda* networks could begin to play a more positive, developmental role in war-ravaged highland communities. The scope of military activities was already broadening in those regions from assistance-oriented functions to *acción cívica de gestión* (civic management), which included such things as the distribution of food and services and management of public works projects. These collaborative networks, involving military commanders, *rondas*, state agencies and non-governmental organizations, were already serving as an infrastructure by which the state was delivering resources and reconstructing war-torn areas. All that remained was for the civic action to be coordinated more systematically with dissemination of official campaign propaganda for the efforts to redound directly to the electoral advantage of the president.

That is precisely what happened as the campaign got underway in 1994. Soldiers in rural areas were ordered to put up *Cambio 90* campaign posters (and, upon occasion, to tear down those of opposition candidates) and to distribute campaign paraphernalia (including calendars and notebooks bearing the president's likeness) along with food and even some services, such as haircuts. Between 1994 and the 1995 elections, the military assisted in organizing presidential visits and campaign rallies, in passing out Fujimori campaign literature and other goodies, even going so far as to proselytize for Fujimori and other *Cambio 90* candidates. In other words, the military functioned as surrogates for the president's party in rural areas, an instrument through which the president could enhance his visibility in areas of opposition, reinforce his equating of stability with the *mano dura*, while exploiting fears that the horrific cycle of violence could erupt again without his firm hand in control.¹⁹

It would be a mistake to infer that support for Fujimori was somehow "engineered" by the military, using *rondas* as proxies, just as it would be an error to conclude that what appears to be "support" is actually the result of army intimidation and coercion. Although an element of intimidation may have played a role in shaping opinion, support for Fujimori among the Andean peasantry is genuine, rooted in a pragmatic assessment of their social and economic circumstances. Peasants credited Fujimori with restoring order and evaluated the alternative candidates for president on the basis of how their own prospects for stability would be affected.²⁰ Still, though violence had abated in some departments (like Ayacucho, Junín and Puno), peasants in many provinces still considered *Sendero* a threat and felt that

continuity (i.e., presidential re-election) would offer the best guarantee of that stability. Many were unable to perceive that any of the opposition candidates could offer a similar guarantee. Opposition to Fujimori was also considered "bad for business" in rural communities starting to feel the employment-generating effects of the public works offensive. The next section examines why this was so.

2. New State Institutions and Social Policy

Fujipopulism is crucially dependent upon the creation (or reactivation) of a set of agencies that are controlled by the executive branch and which compete with (or replace) existing institutions or organizations set up to perform similar functions. Among the principal agencies through which social spending has been carried out is the *Fondo de Compensación y Desarrollo Social* (FONCODES or National Development and Social Compensation Fund). Created in August 1991 with funds earmarked from a \$425 million trade sector loan from the Inter-American Development Bank (IDB), the agency's objective was to "finance ... social investment projects in matters of employment, health, nutrition, basic education and other areas benefiting the population in poverty" (El Peruano, 1991). Following the model of social development funds that had been set up in other countries in Latin America, such as Bolivia, FONCODES was to have been an autonomous non-governmental institution that reported directly to the president. Its funds were to have been allocated in response to specific proposals from community organizations, local governments, and non-governmental organizations and used to build infrastructure that served a clear social purpose, such as schools, roads, and hospitals or clinics. Construction would employ labor-intensive techniques, maximizing the program's employment-generating potential. The program director was to be selected from the private sector on the basis of competence, rather than as a function of party loyalty and/or the usual criteria for patronage.

Despite the fanfare which accompanied its founding, however, FONCODES remained under-funded, relative to other agencies, during the first two years of its operation. Its 1991/1992 budgets hovered around US\$120 million, with only a fraction of that used for its stated purpose and despite earlier calculations that the agency would require a minimum operating budget of \$1.5 billion to fulfill its mandate (Pease García, 1994: 425). Moreover, Fujimori's appointment of Luz Salgado,

Secretary-General of his *Cambio 90* party, as director of FONCODES caused consternation among international creditors, who had hoped to maintain the program's political autonomy. Although FONCODES was supposed to have received the full US\$120 million from external sources in 1992, donors (such as the IDB) were reluctant to release funds to an organization which the president seemed to view more as a political tool than as a genuine program for the alleviation of social emergencies. In fact, the IDB conditioned the release of some US\$25 million on the appointment of a new general manager with private sector credentials and experience.

Partly to restore the faith of the international financial community, Fujimori replaced Luz Salgado in June 1992 with an independent director from the private sector, Arturo Woodman, who revamped the agency's procedures for setting goals and evaluating programs.²¹ It is likely that the IDB's uneasiness about disbursing funds to an overtly politicized FONCODES helped to persuade the president and his advisors of the wisdom of relying more heavily on the revenues derived from privatization as their primary source of funding than would have been the case had external donors been less exacting and more forthcoming.

The other major agencies created to carry out the president's social agenda are the *Fondo Nacional de Vivienda* (FONAVI or National Housing Fund), and the *Programa Nacional de Asistencia Alimentaria* (PRONAA or National Nutritional Assistance Program). The main function of FONAVI has been to provide subsidies for the construction of housing for workers, in both the formal and informal sectors, in areas considered economically marginal, primarily in the *pueblos jóvenes* of Lima. PRONAA, on the other hand, was set up to provide nutritional support for poor children in both urban and rural areas. Both PRONAA and FONAVI also maintained low profiles during their first year of operation (1992). In fact, the state was so negligent in meeting even its nominal obligations to the non-governmental organizations that had been set up to relieve poverty and hunger that it gave rise to criticism that the agencies had been created as empty gestures designed primarily to serve public relations purposes (Burgos, 1994: 37-50).

The large sums being channeled into FONCODES, PRONAA and FONAVI finally began to have an impact in 1993-1994, as the number and variety of infrastructure and public works projects multiplied, and the number of beneficiaries rose from the tens of thousands to the hundreds of thousands. By mid 1994, the Presidential Ministry, through

FONCODES, was responsible for the management of 4,760 support projects, most of which (54%) were public works that kept an estimated 23,000 employed in new jobs (on a monthly basis) throughout the year. The main areas to benefit from this expansion of social assistance were the departments of Ayacucho, Apurímac, Ancash, Huancavelica, Cajamarca, Puno and Junín, the areas in which, according to the 1993 census, there was the greatest poverty. The main beneficiaries of public works projects were the areas of highest unemployment: departments like Callao, Tumbes, Lambayeque and Loreto, all of which registered a jobless rate of more than 20% in 1993. As noted, these public works initiatives were carried out largely without the participation of the municipalities.

Meanwhile, PRONAA stepped up the number of daily food rations it was dispensing from an average of around 2,500 *per day* (in 1993) to close to 2,900 daily, which represented a substantial rate of increase over the previous year. Many of the food assistance programs were administered directly or with military assistance, as opposed to being channeled through the various, and autonomous, social assistance agencies that had been created back in the 1980s to serve the same purpose. For example, it bypassed the *Vaso de Leche* programs, run by autonomous local *clubes de madres* (Mother's Clubs, at one time affiliated with the parliamentary Left), as well as the 7,000-odd communal kitchens nationwide, managed by the *Comisión Nacional de Comedores Autogestionarios*, an organization with links to the Catholic Church. In other words, rather than working with or complementing organizations already in existence, PRONAA has sought to compete with them instead and to weaken their influence.

In September 1993, FONAVI was modified (by decree) to allow funds earmarked for housing construction to be manipulated more easily by the Presidential Ministry. The decree increased the contributions that the business sector made to the fund and gave the president discretion over \$15 million monthly, ostensibly to finance housing for workers *via* cash subsidies and low-interest loans. Had there been any real opposition from the legislature, the decree would have failed, since it was opposed by all the leading business groups, including the powerful *Sociedad Nacional Industrial* (SNI or National Industrial Society) and the *Sociedad Nacional de Exportadores* (SNE or National Society of Exporters), and condemned by Leftists as "politically motivated electoral philanthropy."²² Even the usually pro-government *Expreso* criticized the policy as demagoguery, advocating that the fund be used

as a source for making housing loans to workers instead (DESCO Resumen Semanal, 1993b). Nevertheless, the subsidies have underwritten major housing construction, especially in shantytowns that once were bastions of *Sendero* activity.

It would be a mistake to dismiss these programs as mere public relations gestures because they were politically motivated. Even though they may have been set up to promote (if not assure) the reelection of the president, these measures have had a major impact on life in the poor, and traditionally neglected, urban and rural areas. Low-interest loans or subsidies, granted by FONAVI to workers living in the *barrios* and shantytowns surrounding Lima, have been used to build or improve several thousand homes. Through the construction of new schools and medical clinics in the poorest *barrios*, the government has opened channels of access to formal education and medical care to some of Peru's neediest citizens, though only time will tell if the new facilities will actually be put to their intended use. In the process, long-awaited official recognition has been extended to migrant communities. In the interior, the employment-generating effects of public works have not only slowed down the pace of out-migration to Lima but have induced tens of thousands, displaced by the war, to return home.²³

A public works offensive orchestrated by the Presidential Ministry is a far cry from the institutionalized social program envisioned by its principal advocates. The *ad hoc* and personalistic nature of the program, combined with the president's obvious interest in maintaining it, make it unlikely that it will evolve much beyond its present capacity or establish autonomy from the executive branch. Nevertheless, the program was of crucial importance in allowing Fujimori to shuttle back and forth from the shantytowns that ring Lima to peasant communities in the war-torn *sierra*, inaugurating new projects at every stop along the campaign trail. It allowed the president to continue to fulminate against *partidocracia*, contrasting it with the effectiveness and efficiency of his "direct democracy, without intermediaries." Flanked by local FONCODES or FONAVI technocrats armed with laptop computers, the president could boast of forging a new, efficient model of

direct democracy, in which the executive is in direct contact with the people, without the intermediation of political organizations which have failed here and elsewhere ... a model ... which, modesty aside, I wouldn't mind seeing reproduced in other countries.²⁴

3. Recentralization of Political Authority

Several institutional changes altered the status of the new social agencies and expanded their social and economic influence. One factor, as noted, was the state's renewed solvency due to the influx of revenue from privatization. A second key factor was the return of political authority to the central government, which served to strengthen its hand. The 1992 congressional elections played a key role in creating the legal framework which allowed this recentralization to take place. Not only was the presidential majority won in that election useful in helping to restore economic aid (suspended after the *coup*), but it was also instrumental in enabling the regime to consolidate its gains following the *autogolpe*. Unequivocal in its support for the president and merciless in suppressing the minority opposition, the legislative majority served as the quintessential rubber stamp for the president's agenda. In addition to modifying the constitution so as to permit him to run for reelection immediately, this body approved a host of other decrees and statutes that were specifically designed to strengthen the executive branch *vis-à-vis* the legislative and judicial branches and at reasserting the hegemony of the central government over the local level.

Perhaps the greatest advance in restoring the primacy of central authority emanated from the government's evisceration of regional government. The process of establishing the constitutionally mandated system of 12 autonomous, elected regional governments began in the late 1980s during the García administration. However, this decentralization process was brought to an abrupt halt in the aftermath of the 1992 *autogolpe*. Under the terms of the 1993 constitution, regional governments were forced back into dependence on the central government. No longer were governors allowed to be elected locally; henceforth they were appointed by the president, who often made his choices from outside the designated regions. Furthermore, in many cases governors found themselves deprived of authority by military commanders whose jurisdiction encompassed territories that overlapped. Gutting the regional governments left Peru with only two layers of government: central and local, with the latter including both the 189 provincial municipalities as well as the 1,809 district municipalities. The assault on municipal autonomy (*via* such decrees as LD #776) has ensured that even these bodies have had to become subservient to the central government, dependent as they are on its largesse. One consequence of eliminating the independence of regional governments has been to

make loyalty to the president *the* criterion by which the central government determines whether, and how much, to spend at the local level.

Another development is that power has become increasingly concentrated in those ministries that are closest to the president, a fact that is reflected in the national budget. Comparing the budgets from 1990-1994 illustrates an obvious trend of more and more resources going to an ever smaller number of ministries, particularly those that display the greatest loyalty to the president. In 1990, the lion's share of the budget went to the executive branch with allocations spread across many ministries. For example, while the absolute spending on such areas of the budget as health and education might have been low, the relative share of the miniscule 1990 budget going to health and education was relatively high: at 5% and 16%, respectively, or 21% combined. Between 1990 and 1993, however, the spending on health and education was slashed by more than half, to 9% combined. Meanwhile, those agencies that fell under the direct control of the president — the Ministry of Economy and Finance, the Presidential Ministry, and the President of the Council of Ministers — received substantial increases: from 34% (in 1990) to 61% of a budget that had grown to be more than 25 times larger in 1994! More remarkably, the Presidential Ministry rose from a relatively insignificant position (1% of an executed budget of 642,242 soles in 1990) to become one of the most powerful ministries in the Peruvian government: in 1994, its share of the budget came to 9%, or 1,454,302 soles out of a total budget of 16,158,913 soles — a sum that was roughly equivalent to that of the budgets for the ministries of Education, Health, Labor, and Agriculture combined (Table 3).

With unimpeded control over a budget of unprecedented size, the Presidential Ministry could now effectively micro-manage the various public works and social assistance programs in the year or so that led up to the general elections, using the agencies it had created to disburse the resources. Thus, the administration could exercise such tight control over the evaluation and funding of projects that the funds could be targeted to the areas of highest need with great precision, maximizing their political impact. The worst fears of opposition politicians were realized: Fujimori was well on the way toward assembling that coalition of actors and interests which would give him his stunning victory in the 1995 elections.

Table 3.
Comparative National Budget, 1990-1994
(in % of total expenditures) For Selected Items

Budget Item	1994 ^a	1993 ^a	1992 ^a	1991 ^b	1990 ^b
President of Council of Ministers	11.0	12.8	20.4	27.9	13.7
Ministry of the Presidency	9.2	9.5	2.9	*	1.3
Ministry of Economy and Finance	40.8	36.9	32.6	24.3	19.4
Ministry of Defense	10.6	12.3	14.0	15.4	20.7
Judicial Branch	0.7	*	1.4	1.2	1.0
National Elections Tribunal	*	*	*	*	*
Ministry of Justice	1.0	0.7	0.5	0.7	0.7
Ministry of Interior	8.6	9.0	10.5	10.7	12.6
Ministry of Foreign Relations	0.9	1.0	1.1	1.4	1.8
Ministry of Education	5.1	6.3	5.6	7.9	16.4
Ministry of Health	2.8	3.6	3.5	4.8	5.3
Ministry of Labor	*	*	*	*	*
Ministry of Agriculture	1.3	1.5	1.0	.8	1.4
Ministry of Transp. and Housing**	5.2	3.0	4.0	1.9	2.2
Ministry of Energy and Mines	1.2	*	*	*	1.0
Ministry of Fishing	*	0.7	0.6	*	*
General Accounting Office	*	*	*	*	*
Public Ministry	*	*	0.5	0.5	*
Congress	*	*	*	1.2	1.0
Total Annual Expenditures ****					
(Thousands of NuevoSoles)	16,158,913.0	10,813,993.0	6,958,913.0	3,104,396.0	642,242.0

* Represents less than . 5 percent of total national executed budget

** Figures after 1993 combine ministries of Transportation/Communication and Housing/Construction.

*** Figures before April 1992 combine Chamber of Deputies and Senate. 1993-94 are for the Constitutional Democratic Congress (CCD) only.

**** Inflation rates from 1990 through 1994 are 1990 = 7649.7 1991 = 139.2
1992 = 56.7 1993 = 39.5 1994 = 15.4

a = Authorized

b = Executed

Source: Richard Webb and Graciela Fernández Baca, *Peru en Números* (Cuánto, S.A., 1993, 1994), p 805

4. The Exhaustion of Partisan Alternatives

Between 1992 and 1995, political parties ceased to function as influential political actors in Peru. The full story behind the exhaustion of partisan alternatives begins well before the election of Fujimori and helps explain, to a large extent, just *why* he was elected. The main reasons behind their eclipse as viable actors include (a) the profound socioeconomic and political crises of the 1980s; and (b) the correct perception that the traditional parties had aggravated those same problems, making them worse through their mismanagement, bickering, incompetence, and corruption. The public's confidence in parties had deteriorated to such an extent, in fact, that Fujimori and his allies could make a plausible case for closing the Congress and denouncing "party rule" (*partidocracia*) in favor of restoring "democratic legitimacy" (Conaghan, 1995). Meanwhile, the electorate itself had been sufficiently traumatized by the decade of socio-economic crises that it had lost whatever confidence it might once have had in the country's political parties, which had become highly polarized ideologically by the end of the 1980s. No longer did the party system hold any attractions for the average voter, who was, like Fujimori himself, decidedly pragmatic and moderate (Cameron, 1994).

Once Fujimori attained office, the disintegration of the party system only accelerated further, for two main reasons. One was the president's strategy of attacking and discrediting the traditional parties, *APRA* and the *Izquierda Unida* in particular. The most blatant example, of course, was the *autogolpe*. However, since the *autogolpe*, the president has used a more subtle approach. For one thing, Fujimori skillfully used the charges of corruption against former President Alán García, which were still pending, as a way of keeping the *apristas* on the defensive, thus thwarting their efforts to make a comeback after their election débâcle of 1990. Alán García has been a millstone around the neck of his party. Several factors — the ignominious failure of his government, his forced exile following the *autogolpe*, and the almost daily reports of scandals which took place during his administration (and in which he was almost certainly involved) — have combined to convert Alán García from being merely a failed ex-president into a target of national vituperation, a symbol of the worst excesses of *partidocracia*.

A second reason for their continued fall from grace was the fact that the traditional parties failed to respond to the changes in society and the electorate by staking out an independent position which addressed the new concerns and needs. Poll after poll in the 1990s indicated that the majority of Peruvians identified themselves as "independent," i.e., not

allied with any of the established parties. Yet none of the traditional parties seemed able to adapt to changing circumstances by altering either their rhetoric or their campaign strategies so as to make them more appealing to the average voter. Even if they had attempted to do so, it is not clear whether or not the parties could have succeeded in presenting a viable alternative to Fujimori. His program, after all, embraced the main yearnings of the Peruvian electorate — for order and economic stability — after the severe buffeting both had received during the turbulent 1980s. The burning desire for democracy and social justice, which had captured the imagination of the Peruvian electorate in 1980, seemed distant indeed as the 1995 elections approached.

The institutional degeneration experienced by Peru during the 1990s has left a large slice of the electorate suspicious of politics in general and party politicians in particular, yet highly susceptible to populist-style strategies choreographed from above. In the mid-1990s, survey data paint a picture of an electorate that identifies itself as politically non-aligned and non-partisan. While elite discourse stressed the importance of establishing democratic norms and respecting the “rules of the game,” polls have demonstrated what one analyst labeled a “support gap for democracy.” Popular support for a democratic regime has remained high, as has support for the trappings of democracy: checks and balances, judicial and legislative autonomy, civilian control over the military, decentralization, and consolidation of democracy. The public has consistently expressed a preference for “democracy” over military rule. Yet support for the institutions peculiar to democracy (the legislature, parties, the judiciary) has continued to decline.²⁵

Voters also tended to downplay these idealized constructs of democracy as being temporarily unobtainable due to the need to solve other, more pressing problems, such as defeating terrorism or getting the economy back on track. They also expressed their preference for the “new” political virtues personified by Fujimori: political “independence,” technocratic efficiency, and an economic liberalism that is combined with a virulent anti-elitism, though the latter is directed against *political*, not economic, elites. In sum, though Peruvians freely conceded Fujimori’s autocratic tendencies, the vast majority looked upon his iron-fisted approach as either a necessary evil or a positive good.

The fragmentation of Peru’s institutions also favored the emergence of presidential and congressional candidates who are much like Fujimori: self-made independents and outsiders with programmatic, non-ideological platforms. All the leading contenders in the presidential race of 1995 were political independents: former UN Secretary-General

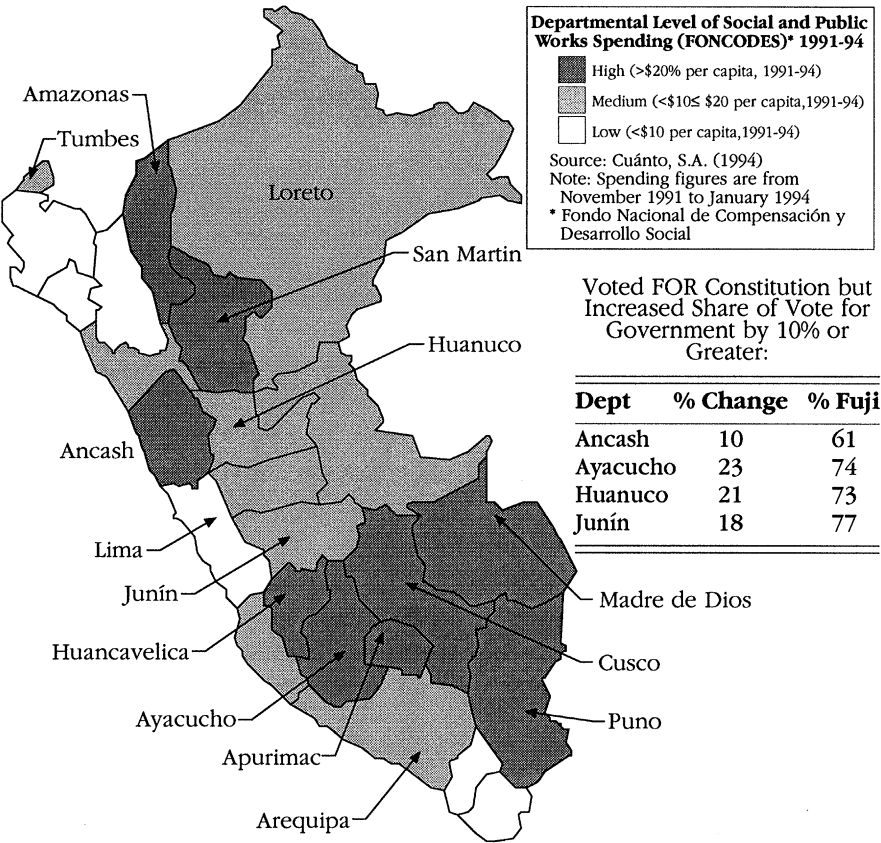
Javier Pérez de Cuéllar, Mayor (of Lima) Ricardo Belmont, and Alejandro Toledo, the economist of Indian origin who rose to become a visiting researcher at Harvard. While it may have been necessary, it was also insufficient to be considered politically independent and/or a social outsider (or ethnic *cholo*, as Alejandro Toledo would find out) in order to gain electoral support. Rather, the economic resources and institutional machinery of Fujipopulism was an essential element in courting, and keeping, the popular vote on the side of the government in the period preceding the 1995 elections.

When the dimensions of Fujimori's victory in the national election (9 April 1995) were made public, it was clear that the president's indefatigable campaigning in the Andes, the central jungle, and the *pueblos jóvenes* of Lima had paid off. Fujimori carried every department, including even those provincial departments in which the 1993 Constitution had either been defeated or had barely managed to eke out a victory. In Puno, where the government had suffered its most serious defeat in the referendum 16 months earlier, the president garnered 67% of the vote. As Figure 2 illustrates, the areas which had benefited the most from his social assistance and public works were also the ones that saw the greatest increases in the vote for the president and his official party compared to that in the 1993 constitutional referendum.²⁶

Demographically, support for Fujimori emerged from the same quarters which backed his *autogolpe*: a combination of (1) that segment of rural peasantry which had suffered most from the violence of the 1980s and '90s; (2) those urban popular sectors who had been hardest hit by the economic shocks of 1990-1991; and, conversely, (3) that portion of the upper class who had derived the most benefit from them. Fujimori's leading contender in the presidential race, Javier Pérez de Cuéllar, drew much of his electoral support from the urban middle classes, particularly those mid-level professionals who had lost their jobs as part of the massive layoffs in the public sector. It is this paradoxical mixture of urban popular sectors and rural peasantry with the upper-middle classes which comprises the "Fujipopulist" coalition.

Fujimori's victory in 1995 was not surprising given the lack of partisan alternatives to his agenda. What *was* surprising was the extent to which the president and his *Cambio 90-Nueva Mayoría* were able to lure support away from the parties who had traditionally claimed to represent the popular sectors. Analysts had anticipated the collapse of the party system as early as 1990, following the failure of the *aprista* government and the 1989 split in *Izquierda Unida*. But the election results went beyond confirming these predictions to sounding a death

Figure 2.
Distribution of Public Works and Social Assistance (FONCODES)
1992-1994 and Comparative Vote for Government: 1993 “Yes”
Vote in Referendum and % Fujimori 1995



Dept	Referendum		Fujimori	Difference
	Yes	%	% Vote	
Amazonas	42		65	23%
Apurimac	42		69	27%
Cajamarca	49		70	21%
Cusco	38		61	23%
Huancavelica	43		64	21%
Loreto	41		54	13%
Moquegua	41		74	33%
Madre de Dios	50		62	12%
Puno	20		67	47%
Tacna	45		67	22%
Tumbes	45		67	22%

Sources: Tuesta Soldevilla (1994), JNE 1995

knell for the traditional parties. While *Cambio 90-Nueva Mayoria* won a narrow majority (52%) in the congressional elections, the four parties that had dominated the political scene during the 1980s received, together, a mere 12% of the valid vote.²⁷ The parliamentary Left, once the country's second largest political force, was reduced to irrelevance, taking less than 1% of the vote for president and less than 2% of votes cast in the congressional races. Meanwhile, the APRA received a record low 6.5% of votes cast in the congressional races, while its candidate for president, Mercedes Cabanillas (APRA's first female candidate) garnered less than 5% of votes cast. Nor did the Center-Right *Acción Popular* and Right-wing *Partido Popular Cristiano* fare much better; the two parties, collectively, received only 5.4% of the votes for president (see Table 4).

Having failed to obtain the required 5% of the valid vote, all four parties were stripped of their legal status by the *Jurado Nacional de Elecciones* (JNE or National Election Tribunal). After the elections were over, one of the first legislative acts of the new Congress was to establish new legal barriers to registering a political party, thus making it even more difficult for the traditional parties to offer lists of candidates in future elections.

To summarize: a deepening alliance between the executive and a more politicized military, combined with the creation of agencies linked to the executive branch, the recentralization of authority, and the disintegration of the party system afforded Fujimori the opportunity to use the state's economic resources to enact a sweeping program of social investment and infrastructural reform. His success dealt what may have been the fatal blow to a moribund party system.

Table 4.
The Collapse of Peru's Traditional Parties
In % Shares of Valid Vote 1978-1995

Political Party	1978	1980	1980*	1983*	1985	1986*	1989*	1990	1993*	1995 (pres)
Acción Popular (AP)	NA	45.4	35.8	17.5	7.3	N/A	31.6	32.6	11.6	1.7
Izquierda Unida (IU)	29.4	14.4	23.3	29.0	24.7	30.8	17.9	8.2	3.9	0.6
APRA	35.3	27.4	22.5	33.1	53.1	47.6	19.7	22.5	10.8	4.1
Part. Pop Crist (PPC)	23.8	9.6	11.1	13.9	11.9	14.8	31.6	32.6	5.3	3.7

Note: (*) represents municipal elections.

In 1985, the PPC formed part of the alliance *Convergencia Democrática* and, in 1989, formed part of the *Frente Democrático*, with *Acción Popular*, the electoral front which ran Vargas Llosa as a presidential candidate in 1990.

Source: *Peru Político en Cifras* (1994) and *La Republica*, April 16, 1995.

CONCLUSION

Two conclusions can be drawn from this study, one theoretical and the other relating to the Peruvian case. First, while conditions would seem not to favor its resurgence, a kind of populism is indeed compatible with market-oriented state reform. Though neoliberal policies in general would appear to conflict with the interests of popular sectors, some reforms (e.g., privatization and tax reform) can strengthen the state in unexpected ways and, by extension, the ability of a regime to secure (and maintain) the support of those who have been adversely affected by other reforms (e.g. stabilization) carried out by the same regime. This finding challenges the often alleged premise that there is a zero-sum relationship between state and market in which strengthening the latter must come at the expense of the former. It suggests that, under some circumstances, both state and market may be strengthened simultaneously, though this may come at the expense of democratic institutions and civil society.

Institutional weaknesses also play into a populist strategy, granting the president, in effect, an uncontested monopoly over the machinery of public works and social assistance, and allowing him to use the executive branch as a bully pulpit by which to keep parties, who could possibly challenge his authority, weak and ineffective. Of course, the frailties inherent in a political system that is so dependent on executive performance should be obvious. As O'Donnell (1994a) points out, the "delegative" president — who is authorized by an electorate to govern as he sees fit during the term for which he is elected is extremely vulnerable to swings in popularity should the political and economic climate suddenly turn sour. Populist policies may be an imperative for political survival in a neoliberal age, for at least some of the proceeds from growth must be redistributed during the electoral cycle in order for a sitting president to entertain aspirations for a second term.

The second conclusion relates to the character and future of Fujipopulism itself. Unlike the classical strain of populism, that of the "Fuji" kind does not spring from the grassroots of society nor the mobilization of labor. Rather, it is a political and economic strategy that is carefully orchestrated from above, one that is designed to maintain the support of the popular sectors while, at the same time, it promotes the economic agenda of elites whose fortunes are tied to economic liberalization. Fujipopulism represents less the embrace of a charismatic *caudillo* by the impoverished masses than a pragmatic endorsement of a president who is widely regarded as having brought Peru back

from the brink of disaster. As a system of representation, Fujipopulism does not harmonize interests around a new socioeconomic vision. It does, however, offer compensation to those who suffered most from the economic crises of the 1980s and '90s. It is a system which thrives in the absence of strong institutions and reinforces institutional weakness by design. As a regime form, Fujipopulism is neither consolidated democracy nor authoritarianism, but a hybrid of the two; it is the essence of an authoritarian regime embedded within the procedural framework of polyarchy.

Finally, it is true that Fujimori's popularity is rooted in an affinity between the image of political outsider" — an image which Fujimori (now the quintessential political *insider*) skillfully cultivates through the media — and the historically excluded urban and rural popular sectors. But the future of Fujipopulism may ultimately depend less on the affection that poor Peruvians harbor for *El Chino* than on the continued frailty of the country's political parties and other democratic institutions, on the continuation of economic and political stability, and on the (all-important) backing of the military. If Peruvian history can be characterized as a pendulum that swings back and forth between periods of popular mobilization on the one hand and periods of retrenchment on the other, then Fujipopulism may well be a product of the latter. Whether a social program that is run out of the president's office really meets the needs of a significant number of poor Peruvians remains to be seen, just as it remains to be seen whether Fujipopulism can endure over the long term, when the immediate need for stability recedes and popular demands for the rule of law and social equality surge anew.

NOTES

1. "*Chino*, the People are with you!" *Chino* (The Chinaman) is Fujimori's nickname and an integral part of his political persona. Interestingly, the name evolved from one of mild derision, when it was first used in the 1990 presidential race (*Chinto*), to one that ultimately commanded respect. Critics of the president often refer to him as *Chinochet*, after Chilean dictator Pinochet, to suggest his autocratic style of leadership and military backing.

2. "Fujipopulism" may be understood as a species of the genus "neopopulism" described in recent literature (see, for example, Viguera, 1993; and Weyland, 1994). For a discussion of traditional populism in Latin America, see Coniff (1982) and Dornbusch and Edwards (1991).

3. Guillermo O'Donnell coined the term in his 1994 article (see O'Donnell, 1994a). However, examples of similar terms, many with essentially the same meaning, can be found throughout the recent literature; among these are: "hybrid regimes" (Schmitter, 1994); "democratic despotism" (Conaghan and Malloy, 1994); and "neopatrimonial democracy" (Hartlyn, 1994). Others refuse to describe such regimes as democratic at all, preferring to point out their similarities with various forms of authoritarianism and, thus, to group them with authoritarian, rather than democratic, regimes instead; an example of the latter would be "electoral authoritarianism" (Petras and Vieux, 1994).

4 These figures are as of October 1993 and do not include universities, municipalities, the police and armed forces. Figures are provided by the *Instituto Nacional de Administración* (INAP) and are cited in the Peru Report (1993: 9).

5. The concept of the state employed here is the Weberian definition, which denotes the set of administrative and legal institutions that claim "compulsory jurisdiction" over a given territory and its inhabitants, that maintain a continuous operation, and that form a monopoly over the legitimate use of force (see Weber, 1991: 78). The term "state capabilities" refers to the capacity of a state to perform administrative, allocative, and accumulative functions. At a minimum, a capable state must be able (1) to maintain territorial integrity and (2) to enforce the rule of law throughout national territory (see Skocpol, 1985); O'Donnell, 1994b; and Huber, 1995).

6. See the study of privatization in several Latin American countries by Sánchez Sánchez and Corona (1993).

7. Some of the more detailed accounts of Peru's economic and fiscal crises of the late 1980s and early 1990s include those, in particular, of Paredes and Sachs (1991), Pastor and Wise (1992), and Wise (1994).

8. "Reinsertion" refers to the process of restoring the country's ties to the international lenders which had been broken during the García administration; the survey data may be found in Kuczynski and Ortiz de Zevallos (1990: 12, 33, 35). Data from other surveys indicate that support for a small state and for the privatization of a majority of state-owned enterprises (SOEs) tapers off, in descending order, from the highest socio-economic level to the lowest, and that, overall, Peruvian support for market-oriented policies has fluctuated only slightly from 1989 to 1994 (see Carrión, 1995: 13).

9. As if to underscore this shift in position, Fujimori introduced, late in 1991, what he labeled "labor flexibilization" measures, which restricted the ability of unions to organize and engage in "political activities" and which were obviously aimed at undermining the cohesion of the main federations of labor (see Caretas, 1992: 24-25).

10. The auction of the two state-owned telecommunications firms was done by secret bid, which helps explain, at least in part, the huge gap in sums offered by the top (Telefónica) and second-place bidders. For a complete explanation of the surprising sale of the CPT and ENTEL, refer to Romero and Trivelli (1994).

11. Note: I am not taking into account actual or potential costs of privatization, including the reorganization of certain enterprises prior to privatization and the money spent on improving public relations with foreign investors. To date, COPRI has not disclosed these costs, preferring to calculate profit margins from the value of capital at the moment of sale; for a discussion of these issues, see Gonzales de Olarte (1994: 16).

12. Based on public opinions polls provided by APOYO, S.A., which reflect the level of approval/disapproval for the president *versus* approval/disapproval for the government as a whole, as well as for specific policies (APOYO, 1994).

13. Based on author interview with two prominent Leftist politicians who were formerly members of *Izquierda Unida* (dissolved in 1989), one of whom is now associated with the *Movimiento Democrático de la Izquierda* (MDI) and the other an independent; in Lima (Peru); January 1994.

14. This was the opinion of the President of the Peruvian National College of Economists, Jorge Gonzales de Izquierdo (Sí, 1995: 7).

15. This is not the same as saying that the suspension of democracy was necessary to carry out neoliberal reforms, as some have argued (e.g., Cameron, 1994). Nor is it the same as saying that the military is the reason for the success of counterinsurgency. It is only to argue that the support of the military was needed to promote stability and convince the economic elites and foreign investors that Fujimori's leadership was viable.

16. The issue of civil-military relations both immediately before, as well as after, the *coup* is dealt with by Philip Mauceri (1995).

17. "Peru cannot stop" is the literal translation, but the slogan is laden with powerful meanings, from the sense of national accomplishment, to the imperative of *continuidismo*, to the still-palpable fear of reverting back into the violence and economic crisis of the 1980s and early 1990s.

18. The *rondas* organized in places like Ayacucho, Junín, Huancavelica, and Puno (in the central and southern Andes) differ from the earlier *rondas* that had been established autonomously by peasant communities in the northern department of Cajamarca to defend themselves against attacks from cattle rustlers and administer justice. They must also be distinguished from the *rondas* in the high jungle provinces, which reportedly formed alliances with drug traffickers (from whom they apparently obtained arms) against the *Sendero Luminoso* (see del Pino, 1994).

19. This observation based (1) on interviews conducted in Ayacucho during the campaign season (in February 1995), and (2) on the information gathered by a delegation of the Latin American Studies Association, who went to Peru to observe the elections and whose findings were later published by that organization (see LASA, 1995).

20. For example, Orin Starn notes that the overwhelming vote of "Yes" (80%) in Uchuraccay, site of a massacre in the early 1980s and located in one of the rural provinces of the Department of Ayacucho most afflicted by violence, stemmed from the perception that the Fujimori government had done more for the victims of the war than either of the two previous governments (Starn, 1994: 76-84).

21. This description of the early years of FONCODES and the controversy surrounding the appointment of its directors is drawn from Carol Graham (1994: 109).

22. The legislative decree forced employers to pay a larger share of the contributions to FONAVI, while lowering the tax deducted from worker salaries (DESCO Resumen Semanal, 1993a).

23. According to the government's *Proyecto de Apoyo al Repoblamiento* (PAR or Repopulation Support Project), between 30-35% of the slightly more than 600,000 Peruvians displaced by the conflict had opted to return to their departments of origin by October 1995 (Pariona Arana, 1995: 47).

24. Author translation of Fujimori's interview with CNN following his victory on 10 April 1994, but it is substantially the same as the stump speech he used to accompany the inauguration of public works throughout Peru during 1994/95 (see Resumen Semanal, 1995: 1).

25. Julio Carrión (1994) explains this gap in terms of a pragmatic comparison between "ideal systems" on the one hand and "actual performance" on the other. Julio Cotler (1995) demonstrates that the phenomenon is by no means limited to Peru but is, rather, a continental phenomenon.

26. This does not, however, establish a correlation between social spending and the vote for Fujimori. First, voters distinguished between the Constitution and the incumbent in casting their votes. Second, the failure of opposition candidates to present credible alternatives to the Fujimori program undoubtedly played into the hands of the president (see Kay, 1995: 20).

27. It should be noted, however, that the congressional majority won by *Cambio 90-Nueva Mayoría* in the 1995 elections may itself be the result of presidential manipulation, to the extent that the electoral rules were changed prior to the 1995 elections to favor the president and his party. Furthermore, opposition parties have disputed the congressional results because of the extremely high percentage of the vote that was invalidated due to confusion generated by (a) the preferential vote system and (b) the failure to implement a computerized vote-tallying system (see Conaghan, 1995b).

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