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## The Crisis of Governance

*Francisco Sagasti and Max Hernández*

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Peru is experiencing one of the most complex processes of social transformation taking place in the Americas at the close of the twentieth century. Over hundreds of years, many cultures have interacted in one of the most diverse geographies of the region and have created a rather unique setting for the multiple manifestations of the crisis that exploded during the last decade.

The European conquest of the Inca empire was the traumatic foundation of Peru, a catastrophic event that established a definitive social rift between victor and vanquished. Three centuries of colonial rule defined the social, economic, and institutional order that consecrated the original division. One hundred and seventy-two years of republican life did not alter the social topography of the nation; only the colors of the demographic landscape changed slightly. Suddenly, during the last forty years, the pace of change began to accelerate: a number of crises, each starting at a different point in the nation's history, gained momentum and converged in a multiple crisis of near cataclysmic proportions, which came to a head during the 1980s and early 1990s. A demographic explosion and massive migrations from rural to urban areas shook the country's foundations, completely altering the apparent order that had prevailed for centuries.

The inventory of problems that accompany the most profound crisis Peru has experienced in more than a century is depressingly familiar. The economy has been stagnant for more than a decade,

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incomes in the Lima metropolitan area have been halved since 1985, and in early 1993 about 85 percent of the economically active population was unemployed or underemployed. After showing improvement during most of the 1980s, social indicators—including nutrition levels, school attendance rates, and the incidence of contagious diseases—began to lose ground in the late 1980s and early 1990s. In response to external demand and taking advantage of favorable agricultural conditions, drug traffic expanded rapidly, with its sequel of corruption, environmental damage, and economic distortions. The 1980s also saw the emergence of Shining Path, the most vicious terrorist group in the hemisphere and, in response, the rise of repressive violence by military and police forces.

Peruvian society has undergone such a profound transformation that the average citizen's perception and understanding of social reality is partial, fragmented, and distorted. Everyday violence has touched and shaken almost every Peruvian, badly affecting feelings of personal safety and emotional security. The rationality underlying economic reforms emphasizes impersonal market forces and requires a high degree of individual self-reliance to meet the demands of an increasingly competitive society. In a context of economic stagnation and widespread poverty, these two sets of conditions have unleashed contradictory forces that pull Peruvians apart: pressures toward individual and selfish behavior are poised against both the need to act in concert to improve the chances of survival and deep-rooted traditions of collective action.

For all practical purposes, the Weberian concept that the state has a monopoly on the legitimate exercise of political violence, primarily through the armed forces and the police, has been replaced in Peru by an "oligopoly" in which a variety of groups—Shining Path, Túpac Amaru Revolutionary Movement (MRTA), paramilitary death-squads, self-defense groups (*rondas campesinas*, *serenazgo*), private guards, and even drug traffickers—have joined the armed forces and the police in claiming, for a variety of different reasons, legitimacy in their resort to violence.

Peru has become a social laboratory in which the good, the bad, and the ugly coexist and contrast sharply, a country of paradoxes that defies conventional habits of thought. Peruvians have devised an enormous variety of creative responses to confront adversity. Community organizations, grassroots activism, and self-help movements show the resilience and ingenuity of those who have been most affected by the process of accelerated economic and social deterioration.

In the midst of the crisis, a stubborn streak of hope, together with a capacity for organization and expressions of solidarity, are

transforming problems into challenges and opportunities. But this resilience cannot be taken for granted, nor can Peruvians withstand a continuous and precipitous decline in living standards without risking a total breakdown of the precarious social order now in place.

### *The Current Scene: A Crisis of Governance*

At the root of this paradoxical combination of crisis and creative responses lies a fundamental fact of Peruvian political life: *the formal institutional framework of Peruvian society has been incapable of accommodating the accelerated process of social change that has taken place during the last four decades.* The explosion of social demands—a consequence of rapid population growth and of the increasing unwillingness to tolerate social injustice—overran the capacity of government organizations, legislative institutions, the legal framework, the judiciary system, political parties, private enterprises, trade unions, and many other entities that are part of the social fabric. Students of the Peruvian situation have variously described this phenomenon as “Popular Overflow and Crisis of the State,” the “Rise of the Informal Sector,” and a “Failure of the Elites.”

As a result, the ways in which power and authority have been exercised in the conduct of economic and social affairs have broken down, and Peru faces a fundamental *crisis of governance*. The familiar inventory of social problems is but a symptom of such crisis. At the same time, the creative but fragile responses that have emerged to confront these problems suggest that the capacity and initiative shown by social movements, nurtured in a climate of openness and democratic freedom, may provide a way out of the crisis of governance.

The current political situation can be better understood against the background of the crisis. The inability of the political system, and of political parties in particular, to respond adequately to the growing need for jobs, social services, security, and a sense of order paved the way for *political disintermediation*. As a very visible part of an inadequate political system during the 1980s, when the multiplicity of crises converged, political parties became the obvious target for criticism. Their limited capacity to structure, process, and reconcile a variety of often contradictory demands from the population was thus reduced even further. As a result, political parties lost ground to a variety of pressure and interest groups that projected themselves directly on the national scene, and outsiders displaced traditional politicians.

The 1990 presidential election, in which two outsiders—Mario Vargas Llosa and Alberto Fujimori—faced each other in the second

round, was a clear indication of the extent to which parties had lost legitimacy. Following Fujimori's election as president, the lack of viable political intermediaries in the executive and in Congress led to a cacophony of political demands (for resources, representation, recognition, influence, benefits), to rapidly shifting and unstable political alliances on specific issues, to improvisation and reactive political behavior, and to conflicts and inflexible positions. All of this made it extremely difficult to agree on policies and strategies to confront the explosive combination of problems faced by Peru at the beginning of the 1990s.

However, considering such a messy and volatile political context, Fujimori must be given credit for backing a series of economic reforms introduced by his ministers of economics and finance. Elected on a "no economic shock" platform, he revised drastically his electoral stance once he took office. He embraced an audacious program of reforms that began to stabilize the economy, although at the cost of a drastic reduction in incomes and a severe recession, which was compounded by drought during 1991–1992.

The government liberalized trade, cut government expenditures, improved tax collection, reformed customs, and resumed debt service to international financial institutions. As a result, hyperinflation was stopped, confidence was (precariously) restored, and the country returned to the international financial community in early 1993, after clearing its arrears with the IMF and the World Bank.

However, the improvised character of Fujimori's government, and its lack of a well-seasoned team of policymakers and managers, is leading to an impasse in economic policy: inflation persists (at the worrisome levels of around 4 percent per month), the country is still in a deep recession, and a variety of economic variables—exchange rate, public tariffs, interest rates—show rather unhealthy tendencies. Given the way in which Fujimori's government has managed the economy and its lack of a long-term perspective within which to place possible changes in economic policy, any significant departure from the established course may undermine confidence and thus end up making the problem worse.

In Peruvian politics, the traditional, knee-jerk reaction to perceived instability or political chaos has been the emergence of dictatorships or authoritarian governments. Alberto Fujimori proved to be no exception. His political inexperience and authoritarian instincts became a major liability in dealing with the turbulent world of internal politics and the rapidly changing international scene. A tendency to confuse "governing" with "giving orders" drew him close to

the armed forces early in his tenure and laid the foundations for the coup of 5 April 1992.

While the military probably saw the coup as a means to improve its economic situation, gain a free hand to deal with terrorism, and obtain greater political influence, only a major miscalculation would make a democratically elected president add unconstitutional rule to a country already facing multiple crises. Moreover, as experience showed, the self-inflicted coup did not improve substantively the prospects for dealing with economic difficulties, terrorism, poverty, corruption, drug traffic, and political instability.

The capture of Abimael Guzmán, the Shining Path leader, in November 1992 gave a significant victory to the antiterrorist campaign of the government and helped to create a sense of greater security and optimism, particularly in the Lima metropolitan area. This presented a good opportunity for Peruvian society to begin exploring more consensual approaches to fighting terrorism. However, Fujimori did not take advantage of this opportunity to abandon his confrontational style of leadership and to foster a greater sense of national unity.

International pressure forced a series of changes in Fujimori's open-ended program of return to democracy. Elections for a Congress that combined legislative with constitutional reform duties were held in November 1992, in which candidates backed by Fujimori obtained 38 percent of the valid votes, enough to have a majority in the new Congress. After considerable protest from political parties and pressures from a variety of national and international groups, municipal elections were held on 29 January 1993. Candidates backed by the government and by established political parties suffered major setbacks, with independent candidates winning in many municipalities, including Lima.

Municipal and congressional elections, held under the supervision of the Organization of American States (OAS), gave a veneer of formal legitimacy to Fujimori's regime. The congressional election campaign showed evidence of gross imbalances in access to mass media, with government-backed candidates enjoying advantages—for instance, practically free access to several hours of prime-time daily television coverage in the week before the election—that were denied to the opposition.

At present, *the checks and balances that are essential to a viable and working democracy are not in place in Peru, and the prospects for improving democratic governance in Peru appear uncertain and problematic.* The judiciary is under the control of the executive, which decides on

the appointment and removal of judges and prosecutors. In Congress a slim majority, elected with the backing of the president, exercises almost total control over legislative proceedings and has shown little inclination toward independence from the executive, or tolerance for the rights of the minority in opposition.

The set of incidents between Congress and the armed forces, (the La Cantuta case) stemming from denunciation of human rights violations by renegade paramilitary squads and confirmed by a former high-ranking general, has shown clearly the unwillingness of the government's majority to exert the full investigative powers of Congress. There is no desire whatsoever to trod an even slightly different path than that drawn by Fujimori and his appointees at the top level of the armed forces.

The constitution has been amended in a hurried way, without proper debate and with virtually no attempt at generating consensus on the changes proposed by the majority. Provisions that would allow Fujimori to run for immediate reelection and measures that would allow the president to dismiss Congress at his will are now under consideration and are most likely to be incorporated in the amended constitution.

Fujimori's self-inflicted coup, his confrontational style and authoritarian conduct, as well as the persistence of terrorism and other forms of violence, have exacerbated the polarization of Peruvian society, leaving little room for substantive and effective debates about the practice and the future of democracy in Peru. The political opposition has proven incapable, at least until now, of articulating a clear and strong set of positions that could resonate with the public at large. New initiatives, for example the Democratic Forum, are beginning to play a catalytic role in organizing the opposition to authoritarian rule.

In addition, it has become rather difficult to assess the roles actually being played by a variety of actors in a paradoxical, seemingly crowded and yet apparently empty national political scene. These actors include, among others, the central government, state corporations, local and regional governments, Congress, private enterprises, informal sector groups, community organizations, professional and business associations, academic institutions, religious groups, political parties, trade unions, the police, and the armed forces, as well as a variety of grassroots entities that have emerged as a response to the economic crisis and the disappearance of the state from many areas of Peruvian life.

In short, Peru faces a profound crisis of governance. The main current manifestations are the virtual disintegration of political

structures, the inability of the government to deal with the prolonged economic recession, the deterioration of social conditions, the spread of an "epidemic of intolerance" at all levels of Peruvian society, and the persistence of criminal, terrorist, and repressive violence. This is complicated by the perception of many Peruvians that the only option to confront Shining Path and the MRTA is to support an authoritarian regime backed by the military, even though this will surely lead to wide-scale repression and human rights violations. Such perception is heightened by the government's appeals for continued support for its authoritarian actions to confront terrorism.

### *Deterioration of the Social Fabric and the Crisis of Governance*

The profound crisis of governance that Peru is experiencing at the close of the twentieth century strongly conditions the prospects for political development. The broad historical processes outlined in the preceding sections, both with their long-term and short-term dimensions, have unleashed forces that must be taken into account in the design of strategies to improve the prospects for democratic governance in Peru.

An appropriate starting point may be an assessment of the degree of deterioration of the social fabric and its various manifestations. *A precarious social order* is now in place in which heterogeneity has become fragmentation, segmentation, and dissociation, and in which there is confusion, ambiguity, and uncertainty. The ground itself is in motion and there is no sense of clear limits or borders. There is a proliferation of partial perspectives and of aspirations to "special treatment," which impede concerted action and reinforce fragmentation. In turn, this leads to overlaps and friction between the different spheres of action of individuals, groups, organizations, and institutions, to which the growing response is some sort of segregation. Proximity and contact do not foster communication, but rather mistrust and rejection of "the other."

Impatience becomes generalized and leads to *demands for immediate gratification*, even if it is vicarious or imagined. Instant results are expected and "to act," in and of itself, is transformed into "to produce results," thus giving rise to a rapid sequence of actions that produce only effects—that often exist only in speeches or mass media reports—without regard for second-order consequences. Time lags between actions or interventions, on the one hand, and results or consequences, on the other, are ignored; the distinction between movement and action is blurred; and improvisation and superficiality

become the norm, and even a virtue. This leads to a loss of the sense of history and of the perspective of the future; life becomes a series of isolated moments, of short terms without reference to what has been and what will be. Vision of the future and strategic thinking give way to reactive and short-sighted behaviors, which are dignified with the name of "pragmatism."

In such a social setting, *identities are constructed in a negative way*: because of *not* being this or that; because of *not* having done one thing or another. Positive referents for the construction of identities at the individual, group, organization, or institution level are very scarce, abstract, remote, and difficult to link to daily life. The lack of positive referents to identify with makes it difficult to engage with others in the pursuit of common objectives, reinforces the tendencies toward defining oneself by exclusion, and leads to a general loss of values—particularly among the young.

The loss of human, financial, physical, and organizational resources leads to *institutional disintegration*, which is accelerated because of the continuous modification of legal norms. In addition, few institutions have managerial and technical replacement teams, particularly in the public sector. As a consequence, a progressive and generalized reduction in performance standards takes place, mediocrity becomes acceptable and transforms itself into the norm, and excellence becomes something unreachable—and even dysfunctional—in group and individual behavior. Institutional weaknesses erode the sense of leadership, leaders are the object of envy and supposed to be "brought down and shown their place," and, without replacement teams, leadership in organizations and institutions becomes sporadic and intermittent.

However, together with all these manifestations of the deterioration of the social fabric, there is a multiplicity of positive responses—unstructured, amorphous, and even futile—that are struggling to be recognized, replicated, and expanded. Numerous acts of daily heroism in small scale suggest there is a latent potential of values and creativity that could and must be tapped. There is still a capacity to regenerate the Peruvian social fabric, which now lies in tatters.

In an attempt to avoid and elude the uncertainty, ambiguity, fragmentation, improvisation, and related manifestations of the deteriorating social fabric, individual and collective reactions are characterized by a flight to the normative domain, to what should be, to the realm of the prescriptive (which could perhaps be seen as a "sane" response to a "sick" situation, and as a defense mechanism to maintain sanity and self-esteem). Efforts to respond to the crisis of governance are directed toward the design of normative proposals, almost

always disconnected from the messy and contradictory reality. The traditional preference for solving social problems through the enactment—or elimination—of laws and other legal devices reinforces the displacement of concerns toward the sphere of norms, precepts, prescriptions, and rules. This flight to the normative domain (often under the guise of concrete normative proposals) makes unnecessary the links with a turbulent and messy reality. In addition, it tends to put those who make normative statements on a “superior” plane, without the responsibility of putting them into practice.

### *Some Consequences for Governance Structures*

These various aspects of the deterioration of the social fabric, together with the mismatch between social demands and the institutional capacity to respond to them—which is the hallmark of the Peruvian crisis of governance—lead to certain striking features of the structures through which power and authority are exercised in contemporary Peru. They are: the prevalence of authoritarian behavior, the lack of adaptive capabilities, the lack of channels for political mobility, and the legitimation of authority exclusively through results.

*Authoritarian behavior.* Authoritarianism permeates all the structures for the exercise of power (not only those of government). The capacity to respond to social demands is personified in the ruler at the highest level, and a pure, nonmediated relation is established between the ruler and the people, who are treated as a “mass.” The political mediation process takes place through symbols, thus replacing mediation through institutions: the ruler “knows” what the people want and how to give it to them. Television and public opinion polls create the illusion of a direct connection between popular demands and the capacity of the ruler to satisfy aspirations and wishes; as a result, people tend to mortgage their hopes in the authoritarian figure, endowing the leader with supposedly extraordinary powers.

Such a context favors the functioning of “total institutions” that provide members with values, principles, guidelines for action, norms, and standards of behavior (the armed forces, Catholic church, Shining Path). In an authoritarian context, the diverse manifestations of the deterioration of the social fabric (corruption, drug traffic, crime, violence, repression) corrode and weaken even further the fragile structure of political intermediation, thus reinforcing authoritarianism.

*Lack of adaptive capacities.* The combined effect of the tendency to escape toward the normative domain, with the authoritarian character

of power structures and the political disintermediation process described earlier, lead inevitably to the progressive isolation of the ruler and his or her close circle of associates. Signals are filtered and processed in a biased way, and the manipulation of indicators (approval levels in opinion polls, "spontaneous" gatherings of supporters) replaces the information obtained and processed through institutional channels.

As a consequence, there is no capacity to display adaptive behavior that could introduce partial changes to maintain the government along a stable course. Moreover, even if there is the intention to do so, there is a lack of institutional channels to introduce minor adaptive corrections. The final result is a total delinking of the power elite from the events on the ground (no reality check). Thus, there is no homeostatic feedback to maintain the system within certain parameters by means of partial adjustments, and change takes place only through catastrophic feedback in which there is a "total correction" that destroys the authoritarian system of government (but probably replaces it with a similar one).

*Lack of channels for political mobility.* Authoritarianism, the incapacity to adapt, and political disintermediation make access to the highest levels of government very difficult. Authoritarian rulers guard jealously their monopoly of linkages with the people, defending it from political rivals and from institutions that could provide channels for political mobility. Hence, the efforts to destroy institutions (political parties, government agencies, independent organizations) and, if this is not possible—as is the case of "total institutions" such as the armed forces and the church—at least to co-opt and manipulate them.

In this situation, political mobility takes place through periodic explosions (*huaycos* would be a better and more Peruvian word) that disarticulate the whole structure for the exercise of political power and push toward leadership positions whoever is in the right place at the right time. A second channel for political mobility consists of "capillary mechanisms," of uncertain effectiveness and slow filtration, that would permit a gradual political ascension that apparently does not threaten the authoritarian ruler.

*Legitimation through results.* Authoritarian rulers usually seek legitimation through the results they obtain, or claim to obtain. Without the legitimacy given by the respect for rules, procedures, and due process that characterize democracies, they appeal to the results produced by the authoritarian exercise of power: they substitute the "rule of outcomes" for "the rule of law."

However, because of the impossibility of producing satisfactory results on a permanent basis, and taking advantage of the demands for immediate gratification, the ruler tends to substitute the promise of results for a series of actions or movements, which acquire value on their own. This leads to some sort of Ponzi scheme of political promises, which is unsustainable in the medium term. Moreover, it amplifies the processes of catastrophic feedback and explosive political mobility.

*Conclusion: A Role for the International Community*

Fujimori's regime in the early 1990s conforms to the type of governance structure described in the preceding section. It has emerged against the background of the historical convergence of a multiplicity of crises that were incubated over long and varying periods. The prospects for political development and democratic governance depend on the extent to which it will be possible to address adequately the multiple manifestations of the crisis of governance, and of the deterioration of the social fabric.

The complex and paradoxical processes of social transformation under way in Peru will unfold at least until the end of the century. The primary tasks are to restore a fully working set of democratic institutions, reverse economic decline, improve social conditions, and defeat terrorism. In parallel, it will be necessary to begin the slow process of reconstituting the social fabric and of changing the conditions that have led to the establishment of authoritarian governance structures. These are tasks for Peruvians to accomplish. Other countries and international institutions have an important but supporting role in these processes.

The end of the cold war has altered fundamentally the parameters for evaluating national conduct and good international standing. In assessing how far to insist on policy changes in return for support and assistance, the international community must strike a difficult balance between respect for international standards of human rights and democratic practices on one side, and respect for national autonomy and sovereignty on the other.

The international community, and the United States in particular, has a vast array of options for providing development assistance, ranging from financial resources channeled through multilateral institutions, to direct assistance to local nongovernmental organizations, and to support for the provision of social services by the government. In exchange, it can expect the political and economic behavior of the recipient governments and institutions to be consistent

with internationally accepted standards of human rights and democratic practices. Without interfering in the country's internal affairs, and taking into account its special characteristics, it should be possible to persevere in efforts to bring Peru closer to a fully working democracy in which human rights are scrupulously respected.

The international community can also expand its support of local independent institutions, seeking to counterbalance the concentration of power in government hands. This implies strengthening a variety of organizations—from community and grassroots movements to professional and business associations—that have become a clear expression of the creativity of Peruvian society.

Whether the years leading to the end of the century produce a more humane, secure, democratic, and prosperous society will depend, first, on the actions of Peruvians. The support that the international community can provide, and the requests it can make in exchange, will play a significant but subsidiary role. As the leading power in the Western Hemisphere, the United States is expected to wield influence and keep actively engaged in the economic, political, and social affairs of the region, especially in a country like Peru, where so much is at stake.

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## Democracy's Bleak Prospects

*Fernando Rospigliosi*

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The prospects for democratization in Peru are weak and uncertain. President Alberto Fujimori's objective is to perpetuate an authoritarian government and to present the appearance of democracy so as to meet the demands of the international community. For its part, the democratic opposition is divided, with one sector trusting—paradoxically—in the military to remove Fujimori from government to return to representative democracy.

But at a more profound level, the difficulties in moving Peru onto the path of democracy lie in the extreme fragility of its institutions, in the process of disintegration the country has suffered over the last fifteen years, and in the limited extent to which democratic traditions and values are rooted in both the elite and the population at large.

### The Institutions

O'Donnell (1990) has noted that building democratic institutions is the crucial issue for the "second transition" from an elected government to a democratic regime, that is, to an institutionalized and consolidated democracy.<sup>1</sup>

Why were such institutions, particularly political parties, not constructed in Peru following the restoration of democracy in 1980? Three contributing factors should be highlighted.

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