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# Reinventing the State

*Economic Strategy and  
Institutional Change  
in Peru*

Carol Wise

THE UNIVERSITY OF MICHIGAN PRESS  
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FOR ALL MY PARENTS

*Jean, Dick, Sam,*

*& the memory of Irene*

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# Contents

*List of Tables* vii

*List of Abbreviations and Acronyms* ix

*Acknowledgments* xi

Introduction 1

*Chapter 1*

Latin America and the State-Market Debate:  
Beyond Stylized Facts 18

**Part 1. From Developmentalism to Debt Shocks**

*Chapter 2*

The Rise of the Peruvian State and the Quest  
to Industrialize 55

*Chapter 3*

A State Capitalist Experiment 82

**Part 2. The State in Retreat**

*Chapter 4*

Orthodox Stabilization with Populist Overtones 119

*Chapter 5*

The Neostructuralist Backlash 152

**Part 3. Reinventing the State**

*Chapter 6*

Neoliberalism and State Reconstruction 179

*Chapter 7*

In Search of a Competitive Strategy 224

*Bibliography* 251

*Index* 271

## *Tables*

1. Macroeconomic and External Indicators in Argentina, Brazil, Chile, Mexico, and Peru: 1970–2000	3
2. Presidential Administrations and Development Models in Peru: 1963–2000	12
3. Public-Sector Trends in Latin America	20
4. Investment Trends in Latin America	21
5. The Institutional Backdrop for Economic Policy Making	32
6. Different Institutional Paths to Market Reform	43
7. Sectoral Composition and Growth of GDP in Peru: 1950–70	60
8. Peru's Public and Private Sectors: Current and Capital Expenditure: 1950–68	62
9. Public-Sector Employment and Wages: 1969–78	91
10. Public Investment Trends as a Percentage of Gross Fixed Investment: 1968–80	98
11. The RGAF and State Capital Formation: Sectoral Investment Percentages	100
12. Macroeconomic and External Indicators in Peru: 1970–80	110
13. Macroeconomic and External Indicators in Peru: 1981–85	134
14. Macroeconomic and External Indicators in Peru: 1981–90	162
15. Macroeconomic and External Indicators in Peru: 1991–2000	185
16. Outline of Peru's Nonfinancial Public Sector: 1998	197
17. Peru's Autonomous Agencies: A Select Sample	200
18. Macro versus Micro Performance in Five Countries: 1990–2000	228
19. Standard versus Competitive Approaches to Economic Reform	235

## *Abbreviations and Acronyms*

ADEX	Industrialists' exporting association
ANCOM	Andean Common Market
AP	Popular Action party
APRA	American Popular Revolutionary Alliance
BCRP	Central Reserve Bank of Peru
BNDES	Brazilian Development Bank
CADE	Annual business executive meeting
CAEM	National war college
CCD	Democratic Constitutional Congress
CD	Certificate of deposit
CERTEX	Tax-rebate program for nontraditional exports
CGTP	General Confederation of Peruvian Workers
CIAEF	Council of Economic and Financial Cabinet Ministers
COAP	Council of Presidential Advisors
COFIDE	Financial development corporation
CONADE	National development corporation
CONAMYPE	Confederation of small businesses
CONFIEP	Umbrella organization of private-sector firms
CONITE	National Commission for Foreign Investment and Technology
COPRI	Commission for the Promotion of Private Investment
CORFO	State development corporation of Chile
CTP	Confederation of Peruvian Workers
DC	Christian Democrats
ECLAC	Economic Commission for Latin America and the Caribbean
EPF	State Petroleum Company
ESAN	Graduate School of Business Administration (Lima)
FDI	Foreign direct investment
FONAFE	National Fund for Financing Entrepreneurial Activity of the State
FONCODES	National Fund for Development and Social Compensation
FREDEMO	Democratic Front
GDP	Gross domestic product
GFI	Gross fixed investment

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ICSA	COFIDE's investment group
IDB	Inter-American Development Bank
IMF	International Monetary Fund
INADE	National Development Institute
INDECOPI	National Institute for the Defense of Competition and the Protection of Intellectual Property Rights
INFES	School building program
INP	National Planning Institute
IPC	International Petroleum Company
IPE	Private-sector think tank in Peru
ISI	Import-substituting industrialization
IU	United Left coalition
LIBOR	London Inter-Bank Offer Rate
MEF	Ministry of Economy and Finance
MERCOSUR	Southern Cone Common Market
MITINCI	Ministry of Industry and Trade
NAFINSA	Mexico's state development bank
NAFTA	North American Free Trade Agreement
OAS	Organization of American States
OECD	Organisation for Economic Cooperation and Development (industrial bloc countries)
OPEC	Organization of Petroleum Exporting Countries
PAIT	Temporary Income Support Program
PCP	Peruvian Communist Party
PPC	Popular Christian Party
PRI	Institutional Revolutionary Party of Mexico
RGAF	Revolutionary Government of the Armed Forces
SBS	Superintendency of Banking and Insurance
SIN	National Intelligence Service
SINAMOS	National System for the Support of Social Mobilization
SOE	State-owned enterprise
SUNAD	National Superintendency for Customs Administration
SUNAT	National Superintendency of Tax Administration
UNO	National Union Party
UPP	Union for Peru
USAID	U.S. Agency for International Development
VAT	Value-added tax
WTO	World Trade Organization



## *Acknowledgments*

This project began with a Fulbright-Hays grant that I received while completing a Master's degree in Columbia University's School of International and Public Affairs. As a Master's student, my original research question had been the extent to which public policy and capital outlays under Peru's "Revolutionary Government of the Armed Forces" (1968–1980) had shifted in line with this regime's expressed commitment to decentralize and redistribute the country's heavily concentrated investment and income structures. The answer, although obvious in retrospect, caught me off guard: despite the lofty reformist goals of this particular military regime, its legacy was just the opposite. If anything, patterns of state investment and capital accumulation were more highly aggregated by sector, region, and income group when the military finally returned to the barracks in 1980. Like so many students of Peru, I was hooked by the complexities of a situation that had appeared at first glance to be so straightforward.

For this first phase of my research I would like to acknowledge the Fulbright Commission in Lima for its financial support, as well as the Centro de Investigación at the Universidad del Pacífico (CIUP), also in Lima. As a visiting researcher at CIUP, I benefited from the dynamic and collegial atmosphere there and in particular from my numerous conversations with Folke Kafka, Guido Penano, Bruno Podestà, and Jürgen Schuldt. While at CIUP, I also had the opportunity to collaborate with another Fulbright researcher at that time, Prof. Patricia Wilson from the University of Texas at Austin. I want to thank Pat Wilson for sharing the first available database on policy outcomes under the military regime, and for encouraging me to coauthor a paper with her on our respective Fulbright projects that was eventually published in the *Latin American Research Review*.

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At the very point when it appeared that Peru had lost its political economic footing once and for all, the country shifted onto a turnaround course that would constitute one of the region's most dramatic comebacks in the 1990s. As with the story of the complete collapse of the political economy in the 1980s, I approach this remarkable recovery from the standpoint of institutional analysis. That is, I disaggregate those state and societal institutions that underpinned Peru's turnaround, and I examine the interplay between international and domestic variables in shaping constructive institutional change over time. For this last phase of the research I want to acknowledge another Lima think tank that hosted me, GRADE, and especially Javier Escobal and Alberto Pascó-Font for their insights and feedback on my research. Funding for this last leg of the project was provided by the John Randolph Haynes and Dora Haynes Foundation; the North-South Center at the University of Miami; and the Fletcher-Jones Foundation.

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