A THEORY OF ACTION OF
POPULAR PARTICIPATION:
PERU 1968-1980

by

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Ing. Civil Universidad Católica del Peru
(1968)

Submitted to the Department of
Urban Studies and Planning
in Partial Fulfillment of the
Requirements of the
Degree of
MASTER OF CITY PLANNING
at the
MASSACHUSETTS INSTITUTE OF TECHNOLOGY
June 1983
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Submitted to the Department of Urban Studies and Planning on May 23, 1983 in partial fulfillment of the requirements for the Degree of Master of City Planning

ABSTRACT

The military government that held power in Peru from 1968-1980 made explicit that popular participation was one of its main mid-term generic objectives and its espoused theory.

Popular participation has been analyzed in four areas: urban, rural, industrial, and state owned enterprises.

The theory in use that can be constructed from the actual behavior proves that the military did not want participation, but wanted to control the process of change which was taking place in the country.

It can be concluded that manipulation can lead to civil disorder, increase the number of strikes, reduce investment in the country, and raise false expectations among citizens as to the real outcomes to be expected in a participatory process.

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INTRODUCTION

The purpose of this study is to analyze the impact of participatory processes in the context of a society undergoing drastic structural changes, specifically the changes that occurred in Peru from 1968 to 1980.

Popular mobilization started being promoted in Peru in the 1920's when a generation of workers and middle class landowners founded the APRA party. Even though the APRA has not yet governed Peru through an elected President, it has had a profound impact on shaping policies.

After World War II, a generation of LatinAmerican intellectuals working with the United Nations in ECLA developed the theory of dependence that proposed dramatic changes in the relationships between Latin America and the so-called 'Developed Countries'. It also suggested the necessity of radical structural changes on the continent.

The Alliance for Progress, strongly supported by President John F. Kennedy, legitimized these reforms and recognized that they were a prerequisite for economic development in Latin America.

The Acción Popular party, led by architect and planner Fernando Belaunde Terry was seen as a young party
with new and strong ideas. Its name Acción Popular (Popular Action) was very descriptive: it meant that self-help and popular participation were the core of their doctrine. President Belaunde, elected in 1963, launched an aggressive campaign of development under the motto "El Peru Construye" (Peru Builds).

The democratic government of President Belaunde finished abruptly on October 3, 1968: a coup d'état led by General Juan Velasco Alvarado, ousted President Belaunde who found refuge in the United States where he taught for several years at the Harvard School of Design.

The Peruvian Military, unlike their counterparts in other Latinamerican countries, were committed to radical reforms, redistributive policies and the wish for faster economic development. They made it explicit that popular participation was one of the government's main mid-term generic objectives and its espoused theory.

Participation took place on several fronts:
- Rural participation
- Urban participation
- Participation in the industry
- Participation in state owned enterprises

The government organized institutions to promote popular mobilization and participation, but when the country fell into a deep recession as a result of the 1974 oil crisis
and internal problems, the Military abandoned further attempts of participation and took repressive measures against the very same people whose mobilization they had encouraged years earlier. The Military decided that their institutions might suffer if they carried on with the task of governing the country. A new constitution was written by representatives democratically elected in 1979, and in July 1980, Fernando belaunde was once again elected President, this time under the promise of creating one million jobs, a sign of the economic crisis that was hitting the country. Participation was not anymore an important part on the agenda.

For the analysis, the main trends in participatory literature will be discussed, the actors taking part in the process will be examined, and hypotheses will be formulated and tested in the context of the situation discussed in the previous chapters.

The espoused theory of participation will be discussed and compared with the theory in use constructed from the observation of the actual behavior.

After testing the hypotheses, the main predicaments of the participatory process will be outlined.
CHRONOLOGY OF PARTICIPATION IN PERU

1821: Peru begins as a Republic
1861-1877: The Guano Era—Construction of Railways
1879-1884: The Saltpeter War or 'Guerra del Pacifico' is lost by Peru.
1924: The APRA party is founded by V.R. Haya de la Torre
1932: APRA rebellion against Dictator Sanchez Cerro is violently suffocated. Beginning of a feud between Military and APRA.
1945: F. Belaunde elected to Congress, begins public life
1948: Dictator M.A. Odria takes power. APRA party banned.
1962: Elections won by APRA under V.R. Haya de La Torre
Military stage a coup d'état; APRA relegated.
1963: F. Belaunde and Acción Popular win elections, but APRA has majority in Congress.
1979: Elections for 'Asamblea Constituyente' (to write a more modern, updated constitution). APRA wins the majority. Acción Popular (headed by Belaunde) does not take part in this election out of their own will.

Chapter I
THE PRE-1968 ERA

1. The APRA party:

As a result of the loss of the 'Guerra del Pacifico' or Saltpeter War, the economic collapse of the northern region of Peru could only be overcome with the attraction of foreign capital and the joining of most of the existing sugar plantations. This process was especially intense between 1885 and 1890, and as a result, the sugar plantations and haciendas of the colonial landed aristocracy were swallowed by three major plantations: Casa-grande, Roma, and Cartavio. Their owners were the Gildemeister, Larco, and Grace families who were a symbol of foreign investment (German, Italian, and American respectively) in the region.

World War I boomed sugar prices which rose 600% from 1913 to 1920. Sugar exports fell from 12.5 million sterling pounds in 1920 to 4 million sterling pounds in 1921. The Larco family was ruined, and Hacienda Roma was bought by Casagrande. Hacienda Cartavio and Hacienda Chiclín in the Chicama Valley were the only organizations which Casagrande could not absorb.

As a consequence, large proportions of middle
class small landowners, impoverished merchants, and a large proportion of workers were unhappy about the social and economic state of affairs. A young university student of San Marcos University, Victor Raul Haya de la Torre, who belonged to one of the wealthy families of Trujillo, the principal city in the north, rebelled openly against the government of President Leguia in 1923, and as a result was forced into exile. His was really the first attempt made to mobilize people and make the government aware of the feelings of the groups that did not have material power, but were ready to voice their opinions and protest against the situation.

While in Mexico, the country where he was exiled, Haya de la Torre decided to take radical action and mobilize people, making in fact the first attempt in a country that had been ruled in an authoritarian way from the Incas to the Conquistadores, to their descendants, the landed gentry, to make all people participate in the way the country was run. In Mexico, he founded the APRA party (Alianza Popular Revolucionaria Americana) with a five point program in which, for the first time, the issue of nationalizations was suggested:

1. Action against U.S. Imperialism
2. Political Union of Latin America
3. Nationalization of lands and industry
4. Internationalization of the Panama Canal
5. Solidarity with all the oppressed classes and peoples of the world.¹

From 1926 to 1931, Haya de la Forre travelled and studied in England (London School of Economics), Germany (Berlin, Wirtschaftsinstitut Lateinamerikas) and the US, and returned to Peru after President Leguia had been overthrown by Lt. Col. Luis Sanchez Cerro on August 22, 1931. He had capitalized on the unhappiness of the people as a consequence of the Depression.

After elections were held, the APRA got 35% of the votes and 23 representatives in the Congress, but failed to win the elections. The APRA leaders and the sugar cane workers attacked the O'Donovan Fortress in Trujillo on July 7, 1932 because in their opinion, they had been cheated in the elections. They killed the Army officers who were in charge of the fortress. Thorndike² mentions that the Army used airplanes in their counterattack and had the APRA rebellion under control after four days. Many workers and APRA leaders were shot in the Pre-Columbian city of Chan-Chan, near Trujillo, and this incident was the beginning of a never ending enmity between the

¹Klaren, Peter F.: Formación de las Haciendas Azucareras y Orígenes del APRA, Lima: IEP, 1970

²Thorndike, Guillermo: 1932, El Año de la Barbarie, Lima: Mosca Azul Editores, 1971
the APRA and the Army which would do anything to stop the APRA leaders from controlling the country.

The APRA party had a strong influence in the shaping of the Peruvian policies towards squatter settlements. After a long period of underground activities, vividly described by Thorndike\(^1\), the party came into power in 1945 under the name of "Frente Democrático Nacional" (National Democratic Front). With it a period of intense political mobilization started. Once in Congress, the APRA used public money to strengthen the party organization. Many trade or labor unions were formed with the help of the APRA at this stage. Unfortunately, it was also a period of political violence which in January 1945 culminated with the assassination of Francisco Graña, editor of "La Prensa", a daily newspaper that had been waging a strong campaign against the APRA. Graña had belonged to a powerful family that until the land reform in 1968 owned one of the largest haciendas of the country. The mentioned assassination put in the limelight two men who were fervent enemies of the APRA and later became main figures in the shaping of squatter settlements: Pedro Beltran, a conservative oligarch and landowner (educated at Cambridge University and holding a

\(^1\) Ibid.
degree in economics) and Manuel Odria, an Army general of humble highland origin, who later became President of Peru. Beltran had been Peruvian ambassador to the United States until Graña's assassination upon which he was appointed editor of "La Prensa" and continued the campaign against the APRA. Odria was appointed Minister of Government and tried to accomplish in Peru what Juan Domingo Perón and his wife Evita had been doing in Argentine at the same period.

The APRA party and its radical outlook attracted many people from the highlands to Lima, where the party provided more opportunities. Collier suggests that the Communist Party was also involved in this process. Although the government tried to evict invaders, there is clear evidence that Odria did not seriously try to get the squatters out of the occupied lands. It seems that Odria's intention was to get future support from the squatters.

After a faction of the APRA unsuccessfully tried a military coup with the help of the Navy in 1948, President Bustamante outlawed the APRA, and three weeks later Odria organized a coup and managed to overthrow the government. He got hold of power with the initial support of the export oligarchy that was against some of the

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economic policies which Bustamante had put into effect and which were against their interests. Also, the military budget had been cut, and the Military therefore looked for a chance to overthrow Bustamante and strengthen their own position within the government. As Odria also wanted to be another Perón, he used his wife, Maria, to channel social services and charity work. Their whole relation to the poor was pternalistic, and the settlements were named after Odria himself, after his wife, or after the date of his coup ("27 de Octubre").

With this policy towards squatter settlements, Odria achieved three objectives: give inexpensive aid to the poor, have a different relationship between the urban poor and the State than that promoted by the APRA, and—most important—get political support.

At the same time that Odria got support from the squatters, he encouraged migration to the capital on what Friedmann¹ has called a "strategy of deliberate urbanization". This strategy was supported by the highland elite because out-migration postponed the collapse of the rural social order of the highlands which was a feudal system, an economic system based on the land.

From 1956, when Odria left power, to 1968, there

was a 12 year democratic period. The first elections took place with a weakened APRA that had just been allowed to emerge from underground. The elected President, Manuel Prado, a member of the oligarchy, a financier and banker, appointed Pedro Beltrán, the editor of "La Prensa", as Prime Minister. Beltrán encouraged the cooperative approach for squatter settlements. For the country in general he encouraged a policy of laissez-faire, which was supported by his sector, the export oligarchy. Beltrán and his family were involved in urban real estate and housing development, and he played a big role in the introduction of mutual savings and loan associations in Peru, according to Malpica.\footnote{Malpica, Carlos: Los Dueños del Peru Lima: Ediciones Ensayos Sociales, 1968} The export sector, of which Beltrán was the leader, supported free trade and private enterprise and opposed high taxes, large government programs and a large role for the State in the economy. Their attitude was that if the private sector would grow, its effect would trickle down to the rest of the society. The export sector preferred laissez-faire politics, because high taxation would promote the emergence of an urban middle-class group that would be a political opponent of the export sector. With respect to the system of property, the maintenance of the high inequality status-quo,
and the control of the land pointed to the importance of a strong system of private property within the framework of a capitalist land market. Finally, if tariffs were imposed on imported goods that the export sector consumed, a new industrial class would emerge that might become a threat to the exporters.

Beltrán tried to get popular support issuing low-cost housing, and he carried out a massive campaign through his newspapers "La Prensa" and "Ultima Hora". He opposed public housing and maintained that only the private sector had the capacity to meet the housing needs of Lima. He also promoted "Ciudad de Dios", a squatter settlement for abandoned children which an Italian Catholic priest, Padre Iluminatato, helped to organize and build. "La Prensa" often criticized the lack of housing in Lima, and cited "Ciudad de Dios" as evidence of the housing shortage Lima faced. It has been said that the "Ciudad de Dios" was an invasion planned by Beltrán, and it is mentioned as a curious situation in which a member of the feudal export oligarchy was involved in a major land invasion. It is clear that Beltrán exploited the "Ciudad de Dios" issue for a long time, because it was convenient for him and his group to do so.

The policy towards squatter settlements reflects the interest of the urban real estate, and banking and
commercial interests that Prado represented. Therefore, Prado took a strong position against the formation of settlements. The proportion of evictions and attempted evictions was twice as large as during the former period. There was also a higher proportion of settlements formed on disputed land. In an open contradiction to its written policy, the Prado government encouraged the invasion of land and the formation of squatter settlements when it was convenient for their interests. The Prado group owned old houses in Lima's center which had become slums. In order to recover those dwellings, squatter settlements were encouraged.¹ The reason for this was to make it easier to evict residents of the inner city slums. Later on, real estate developers, linked to the interests of the Prado group, rehabilitated or pulled down the old dwellings, giving way to gentrification.

With respect to the political atmosphere during this period, the export sector realized that the position of the traditional highland elites was on the verge of collapse, and together with the coastal elite proposed agrarian reforms. A commission on agrarian reform and housing was created in 1956.

Beltrán also tried to increase the utility of the coastal desert lands with irrigation programs, and

¹Collier, p. 73
actively supported colonization in the jungle region of Peru. It can be concluded that this liberal era tried to make squatter settlements independent of the State and to show the poor to take care of themselves, thus encouraging the concept of self-help, and at the same time reducing the availability of people to mobilize into radical action.

In conclusion, during the Prado period, autonomy and self-help were the model promoted by the government. APRA played an important role, being in command of a federation of settlement associations: the "Frente Unico de Barriadas" (United Front of Squatter Settlements). One invasion supported by this "Frente" has been mentioned by Turner. ¹

In 1961, Congress approved Law 13517 which had two basic purposes: 1) to provide for the remodelling and legalization of existing settlements, and 2) to provide an alternative to the illegal formation of settlements. As an alternative to invasions, Article 3 gave the "Corporación Nacional de la Vivienda" (National Housing Corporation) the authority to form new settlements called "urbanizaciones populares", lower class housing projects in which the C.N.V. would lay out street grids, provide

services and build a rudimentary house in each lot. Most important, the Law allowed for remodelling and granting land titles of settlements already formed.

The elections of June 1962 did not lead to a clear victory of any party. The APRA formed a coalition with its old enemy Odria. The Army, APRA's enemy, reacted with a "coup d'état" on July 18, apparently to prevent an opportunistic coalition of former enemies and trying to present an image of social reformers instead of that of protectors of the establishment. The military government forcefully tried to apply Law 13517 and supported private enterprise in housing development through the formation of the "Banco Nacional de la Vivienda" (National Housing Bank). This government was not interested in seeking popular support from settlers and ordered several violent evictions of squatters before allowing elections after one year in power.

This is the end of an important era in the history of Peru, because after this period, and beginning in 1963, the word "participation" would be a keyword in the policies of the United States vis-a-vis Latin America through the Alliance for Progress, and in the case of Peru through the doctrine of the Acción Popular party founded in 1956 by Architect F. Belaunde.

So far, the people, mobilized by the APRA party
had tried radical changes, but the Military who were the other important actor in this power struggle, had denied them the right to govern the country.

2. The Alliance for Progress and ECLA

2.1 ECLA

At the end of World War II, the United Nations Organization was founded. Peru and other Latinamerican countries supported the creation of this organization which was to have strong impact in Latin America in the coming decade.

The Economic Commission for Latin America (ECLA) was installed in Santiago de Chile and would be a source of new ideas and theories that would give a new framework to the relations between what were up to then called "advanced" and "backward" countries.

The United Nations proposed an impersonal and objective measuring instrument that from then on would be universal in order to compare countries. Nations would be classified according to their economic performance as "developed" and "underdeveloped". It follows naturally, that from then on, economic development would be a goal of priority in most underdeveloped countries.

In this context, ECLA, under the direction of Raul Prebisch, presented an alternative position to ideas
and models of economic development originated in the United States of America and Europe. It would be the now famous Theory of Dependency, and their founders would be important actors in the scenery of political-economic development; they would become famous as the "dependistas". They used the history of Latin America to propose a new theory of the reasons for underdevelopment and tried to find new ways to challenge and overcome barriers against growth. They challenged the "monetarist" position of Europe and the United States which essentially postulates that free international markets lead to comparative advantages and an efficient international distribution of labor, maintaining that tariffs, quotes, and other barriers to free markets should be eliminated.

ECLA showed that the historical trends of foreign trade in Latin America were in open contradiction to the monetarist position and argued that the division of labor—which basically meant the production of prime materials by underdeveloped countries and the production of manufactured and finished goods by developed countries—resulted in a permanent deterioration of the terms of trade.

ECLA pointed out that there were other factors that conspired against economic development:

- the latifundio ownership of productive lands
the skewed income distribution patterns
- the small size of the local Latin American markets.

ECLA proposed basic steps to change this situation:
- foreign financing of investments at the level of $1 billion per year during 10 years
- fixed prices for Latin American export products
- the creation of a Local Development Bank
- the creation of national planning agencies to set up priorities to allocate public and private investments.

This last part would become fundamental in the creation of the Acción Popular party that would become an important actor in the politics of Peru in the decade of the 1960's.

2.2 Alliance for Progress

The Alliance for Progress, an inter-American program first proposed in 1958 by President Juscelino Kubitschek of Brazil, aimed to attack the generalized poverty among Latin American peoples. This idea, which had its roots in a variety of studies prepared by the Economic Commission for Latin America, received enthusiastic support from President John F. Kennedy, who announced the formation of the Alliance for Progress to the assembled representatives of Latin American governments on March 13, 1961, using the language of economic development:

"Our unfulfilled task is to demonstrate to the entire
world that man's unsatisfied aspiration for economic progress and social justice can best be achieved by free men working within a framework of democratic institutions.\textsuperscript{1}

This interest in Latin America was no doubt fueled by the unexpected triumph of the Cuban revolution in 1958 which made clear that structures could be changed, even if at the expense of democracy.

The Alliance for Progress was defined in the "Chart of Punta del Este", Uruguay, in August 1961, as a "vast effort to bring a better life to all the people of the continent", based on the premise that "free men working through the institution of representative democracy can best satisfy man's aspirations including those for work, home and land, health and schools."\textsuperscript{2}

The Alliance for Progress had 12 basic objectives:\textsuperscript{3}

1) To achieve a growth rate of no less than 2.5% per capita per year, so as to attain levels of income capable of assuring self sustaining development.

2) A more equitable distribution of national income.

\textsuperscript{1}Martz, John D. and Schoultz, Lars: Latin America, the United States and the Interamerican System. Boulder, Colorado: Westview Press, p. 10

\textsuperscript{2}Fink, Matthias: Nationales Interesse und Entwicklungshilfe: John F. Kennedy's Alliance for Progress. München: Minerva Publikation, Dez. 1977, p. 138

3) Balanced diversification in national economic structures.
4) To accelerate the process of rational industrialization.
5) To raise greatly the level of agricultural output and productivity.
6) To encourage agrarian reform.
7) To eliminate adult illiteracy, and to assure a minimum of 6 years of primary education for each school age child in Latin America.
8) To increase life expectancy by a minimum of five years, and improve individual and public health.
9) To increase the construction of low cost housing for low income families.
10) To maintain stable price levels.
11) To strengthen the existing agreements on economic integration.
12) To develop cooperative programs designed to prevent excessive fluctuation in foreign exchange earnings, and to facilitate the access of Latin American exports to international markets.

In the "Declaration to the People of America", the theme of participation was one of the main objectives: "Improvement and strengthening of the democratic institu-
tions, through the rights of co-participation of all peoples."¹

What is really important is that the Alliance for Progress acknowledged the need for structural reforms, such as land reform, and income distribution as a prerequisite for economic development. The Alliance's great importance resides in the fact that it legitimized the necessity for structural changes in Latin America and opened up a new type of relationship between the United States of America and the Latin American countries. It recognized that there were prerequisites for economic development and encouraged the nations south of the Rio Grande to go on with reforms. It did not, however, make any mention of nationalizations of foreign owned enterprises - these were to emerge as a key issue in the next decade.

3. Fernando Belaunde and Acción Popular

It was the right time for Fernando Belaunde to shine in Peruvian politics. He was a successful architect and planner who at an early age became Dean of the Faculty of Architecture in Lima. In his speech of June 8, 1956, after having been elected candidate to the Presidency, he said, "I have come straight from the lecture rooms of the university to put into practice the lessons I have taught."²

¹Fink, p. 139
His strategy for the elections was to undertake a tour of Peru, going from village to village. This mobility was one of his assets in the 1956 campaign and he made a point of it in his speech of June 15, 1956:  

There are three candidates, but only one has carried his message to every corner of the Republic; the others have ignored most of the coastal area and have never tried to visit the jungle, or ventured into the sierra where most of our population lives and where the drama of Peru is felt in all its keenness. I for my part have crossed the Cordilleras ten times during this campaign in search not of cheering crowds, but of inspiration and ideas.

Belaunde's doctrine, Acción Popular, stressed self-help and popular participation. In Peru, the tradition is that of "popular co-operation", embodied in two basic institutions: the Indian communities and the "cabildo" or municipal council. Acción Popular glorifies the spirit of mutual aid and co-operation among fellow-villagers. "To stimulate initiative, which shapes men and forms leaders; to fan the still burning flame of creative spirit."  

Acción Popular is completed by planning. Belaunde is fond of emphasizing that Peru's tradition of planning

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1 Ibid, p. 234
2 Ibid, p. 239
3 Belaunde T., Fernando: Peru's Own Conquest. Lima, 1965, p. 103
goes back to the Incas and is perhaps their most precious legacy.\(^1\) At all events, the reference to the Inca system throws most light on the importance of planning in Belaunde's doctrine. "The plan is thought primarily in real terms and only secondarily in terms of money: It is an architect's and planner's concept rather than that of an economist or an auditor general."\(^2\)

After being elected President of Peru in 1983, Belaunde honored his motto "El Peru Construye" (Peru Builds). According to Kuczinsky, "The major manifestation of this attitude was a massive increase in public investment and in current government outlays."\(^3\) Kuczinsky also mentions that "As an architect he was more interested in physical achievements than in policies that might achieve a result not tangible for several years."\(^4\) And he continues that "Belaunde displayed a healthy skepticism toward economists, and his love of Peru and its people often led him to digress from a financial discussion into a monologue on some new physical achievement of his government:

\(^{1}\)Ibid, p. 87
\(^{2}\)Bourricaud, p. 241
\(^{4}\)Ibid, same page
how an Amazonian village had been reached by plane for the first time, after the inhabitants had by themselves -under Cooperación Popular- built an airstrip." Participation was seen by Belaunde as an essential part of development, and development was physical achievement. He also encouraged political participation calling for municipal elections during his government.

In contrast to the tradition and precedents set by past politicians and dictators such as Manuel A. Odria and Manuel Prado, Belaunde looked for political support everywhere in the country. His public works and development programs were located deep in the country, opposing the concentration of central bureaucratic offices and local urban hospitals which had been the trade-mark of the 1950's in Peru. As an architect and planner, Belaunde focused his attention and action on the decentralization of the country. He hoped to end the traditional pattern of migration from the highlands to the coast by encouraging migration to the regions east of the Andes, that is to say to the Amazonian jungle region of Peru. Belaunde's dream was to build a major highway along the edge of the jungle at the eastern foothills of the Andes and open up the land to settlers. He also had a program of agrarian land reform

1 Ibid, same page
and had strong support from the rural population. He believed that if the country's scarce resources were used to improve the situation of squatter settlements in urban areas, the result would be massive growth of squatter settlements which would attract more migrants to the cities, thus counteracting the positive effect of his other programs.

In 1967, the Mayor of San Martin de Porres, a district of Lima, which was the main "barriada" formed by Odria's government, promoted and had a law approved which granted land tenure to the residents of the district, without having to upgrade the dwellings as had been established by Law 13517. As a result of this, the settlers of the other "barriadas" threatened the government with a demonstration in the main streets of Lima, if the benefits of this new Law given to the San Martin de Porres District were not extended to all other squatter settlements. Under pressure, the government extended the benefits of the law to all districts of the capital. It was clearly a case in which pressure mobilized from below was the immediate cause of a change in settlement policies. It was also an opportunity in which traditional planners' standards were relaxed in recognition of the role of settlers in urban development.

The APRA, which had a majority in Congress, also
controlled certain municipal governments, and this gave the
APRA a legal channel for supporting settlement formation,
a fact that might account for the lack of invasions. The
proportion of evictions and attempted evictions in this
period was only 22%.

Belaunde had espoused, since his inaugural speech
as President on July 28, 1963, the nationalization of the
oil fields that were in the hands of the International Pe-
troleum Company, an American company which sub-leased the
area since 1914 from a British group, the London and Paci-
fic Petroleum Company, who had been granted a 99 year
lease by English owners in 1890.

In 1911, the Peruvian Corps of Mining Engineers
measured the area and found it to be 4000 times larger than
the area described in the legal documents. Accordingly,
the government in 1915 refused to go along with the situ-
ation. Eventually, in 1921, a controversial award was made
in Paris, favoring the British London and Pacific Petroleum
Co.

In 1959, German Tito Gutierrez, a Congressman who
later would be appointed General Manager of Peruvian Na-
tional Railways, verbalized the situation in Congress, refu-
sing to condone an agreement between the Peruvian Govern-
ment and the International Petroleum C., which called for
an increase in the price of gasoline.
The fact that Belaunde tried to solve this problem once and for all, resulted in a colder position of the U.S. Government towards Belaunde which eventually exploded in economic crisis: Peru got $90 million in financial aid from July 1963 to June 1968 versus Brazil that got $1067 million, Colombia $353 million, and Chile $346 million. In per capita figures, Chile got $40.09, vis-a-vis Peru's $7.49. This attitude was resented by radical politicians who later became important actors in the Velasco regime.

Another source of serious problems for President Belaunde which eventually precipitated his downfall were scandals in which members of the Armed Forces were involved. There were persistent rumors in early 1968 that the Navy, the Police and the Banco de la Nacion had organized a shipload of appliances that were smuggled on one of the vessels of the Peruvian Navy. The bazars of the Police were a channel for contraband and were stocked with a large amount of duty-free goods. A commission, headed by H. Vargas, an APRA Deputy, antagonized the Army who disliked being investigated. The outcome was that a book written by H. Vargas in which he explained in detail the findings of the commission, was seized and destroyed.\textsuperscript{2}

Problems of international market prices for Peru-

\textsuperscript{1}Kuczinski, p. 215

\textsuperscript{2}Vargas Haya, Hector: Contrabando, Lima, 1976
vian exports, domestic production declines and inflation provoked a 40 percent devaluation in 1967, just one day after President Belaunde had - in an awkward move - made the stability of the currency a point of honor during a television address to the nation. From then on, his government lost all credibility in the eyes of the nation.

From June to October 2, 1968 two cabinets were appointed in a desperate attempt to find a solution to the economic problems of the country. The Government of the United States, by now worried by the Viet-Nam War, restricted financial help, and the Peruvian Congress was the scene of bitter argument between different parties who argued for the best way to handle the situation. The fact that APRA had the majority in Congress seems to suggest that they did little to help in the crisis, and instead had in mind to triumph in the 1969 election.

From then on, it was almost sure that the Military would stage a coup d'état, in order to prevent the APRA from getting into power, as they had done in 1932 and 1962.
Chapter II
THE VELASCO REGIME: 1968-1975

In 1968, Peru was at an intermediate stage of modernization, industrialization and political mobilization compared to the other Latin American countries. Oligarchic domination was steadily decreasing, as economic power had shifted from the land-holding oligarchy toward mining, fishing, and manufacturing sectors. Part of the old oligarchy, the owners of the coastal sugar plantations, managed to retain political power due to over representation in the Congress, and from there influenced the mass media. Unions were organized. They were stronger in the coastal sugar plantations than elsewhere. Although urban labor was weak as a sociopolitical force at societal level, it had organizational penetration in crucial sectors of industry and transportation. In the Peruvian Corporation Railways, for instance, the Carmen's Union and the Workers' Union, the strongest of the four unions, were affiliated with the C.T.P. (Confederacion de Trabajadores Peruanos) (Confederation of Peruvian Workers) which was controlled by the APRA.

In 1966, the C.G. T.P. (Confederacion General de Trabajadores del Peru) (General Workers' Confederation of Peru) was formed. During the economic crisis of 1967, and when the CTP tried to control union demands for higher wages, the number of unions affiliated to CGTP increased, even though the CGTP was not yet officially recognized by the Ministry of Work. From 1963 to 1968, a total of 1221 new unions were recognized, of which 447 belonged to the industrial sector, an indicator of continued mobilization.¹

The Belaunde government had followed a decentralization strategy; in its development plan it had sought to open the Amazonian region by means of the "Carretera Marginal de la Selva". As opposed to former Presidents Odria and Prado who had looked for popular support among the new migrants to Lima, namely the inhabitants of the squatter settlements², Belaunde had dedicated his efforts to promote large scale economic development projects. Only 15 squatter settlements originated during his period, versus 30 during Odria's (1948-1956) and 30 during Prado's (1956-1962).³ During this period from 1961 to 1972, the population of squatter settlements grew from 20.2% to 27.2% contributing to social mobilization.⁴

²Collier, p. 151
³Ibid, Table 11.9
⁴Ibid, same page
As the pressure resulting from the mobilization at the bottom of the system started disrupting the traditional order, the role of the Military grew more and more controversial within the Military leadership. The repression of the "guerillas" in 1965 had a strong impact on the Military. They realized that there was a real threat of a socialist revolution and they, the protectors of the status-quo, would be among its first victims.

Therefore, the Army took rapid action. On October 3, 1968, only 6 months before elections were due, a Military Junta, led by General Juan Velasco Alvarado, staged a coup d'état that ousted President Belaunde.

The Military Government made explicit that popular participation and self management was one of its main mid-term generic objectives and its espoused theory:

Actual participation of national majority groups in the basic decisions of the country, said majority groups to be organized in intermediate institutions such as trade unions, cooperative associations etc... It is not possible to think of development (which involves both the economic and social aspects) without participation of the majority groups in those decisions which reflect upon the final orientation of society. To ensure such participation, it is essential to encourage the establishment and strengthening of social organizations such as cooperative associations and trade unions through which the expression of said popular participation will be channeled.

1 Mid-term Development Policy Basic Guidelines, Republica del Peru, Instituto Nacional de Planificación, Lima, April 1970, p.11
The Yugoslav experience served as a lighthouse for the Peruvian generals who were looking for a "third model" to solve the problems of underdevelopment, poverty, unemployment, inequality, illiteracy, illnesses, ......

They were looking for a humanist model of social organization that would ease efforts at developments while minimizing human costs. The importance given to the involvement of the people in the development process made the potential role of the workers' participation a controversial issue in the political arena.

A new generation of army officers was made aware of the problems of the country in the "Centro de Altos Estudios Militares, CAEM (Center of Higher Military Studies). A "new professionalism" emerged, contributing to the emergence of a new elite which

"(1) perceived that its corporate survival required fundamental changes to be made in Peru's social, economic and political structures. (2) concluded that the traditional political system could not make these fundamental changes (3) had developed within its own schooling and intelligence system an alternative program of structural change and societal development (4) was confident that these same schooling and intelligence systems had formed the necessary cadres to implement their program and (5) believed that it and only it had the power to impose the program."  


2Villanueva, Victor: El CAEM y la Revolucion de La Fuerza Armada. Lima: IEP, 1973
The Peruvian Army was committed to reform by two main reasons: (a) the reforms were necessary for the military self-preservation, (b) the Military had to control the State in order to make sure these changes were made.

These reforms were printed in the "Plan Inca", dated October 3, 1968. It is open to speculation why the plan was not published until 1974.\(^1\)

1. **Urban Participation**

Due to his lack of popular support, Velasco turned to squatter settlements, as Odria and Beltrán had done before, giving a twist to the policy that Belaunde had successfully maintained since 1963.

On December 3, 1968, the government announced the creation of the "Organismo Nacional de Pueblos Jovenes", or ONDEPJOV (the National Organization for the Development of Young Towns) in order to improve the existing squatter settlements.\(^2\) Its importance was clear: it was directly responsible to the President and the Prime Minister. The government had already decided to upgrade the squatter settlements semantically, denominating them "young towns" instead of "shanty towns" (barriadas) as

\(^1\)Stepan, p. 145

\(^2\)Collier, p. 97
they were known before.

On April 29, 1971, a large invasion of public land spread to neighboring areas in a series of invasions that continued until May 12. It was perfectly timed to coincide with a meeting of the Board of Governors of the Inter-American Development Bank, an agency which had previously financed low-income housing projects in Peru. During this invasion, a serious clash occurred between the Catholic Church and the Minister of the Interior, Gen. Artola. As the invasion took on large dimensions quickly and tens of thousands of people were involved after a short while, Police moved in and brutally tried to disperse the invaders. In the process, two invaders were killed. Bishop Bambarén, a member of ONDEPJOV then held a mass on the invaded land. Artola had him arrested, but Bambarén was freed after 13 hours and a few days later, the Minister of the Interior, Gen. Artola, was forced to resign.¹ According to Peattie, "On the seventh day after the invasion was begun the government offered the organizer a larger tract of land on which the invaders might take up lots with the formal permission of the government."² Eventually the settlers were persuaded to move there.

¹Ibid, p. 105
²Peattie, Lisa R.: Villa El
This settlement later became well-known as "Villa El Salvador", the showpiece of Velasco's urban strategy of incorporation.

All these events were clear indications to the government that it needed to augment its ability to deal with low-income sectors of society capable of mass political action. Decree Law 18896 which established SINAMOS (Sistema Nacional de Apoyo a la Movilizacion Social) (National System for the Support of Social Mobilization) was an attempt to do so. It declared that the objective of the organization was to create a link between the government and the people. It becomes clear, after the Pamplona invasion, that the people were already organized and participating, but not in the way the government wanted; therefore the founding of SINAMOS.

SINAMOS was not only concerned with squatter settlements, but also with cooperatives, agrarian reform, and other spheres of action. The Organic Law of SINAMOS, D.L. 19352 of April 4, 1972, described as its goal the establishment of a basically self-directed economy, in which means of production are largely controlled by the workers themselves. Squatter settlements fit into this framework.²

1Ibid, p. 8

2Collier, p. 107
A very positive aspect of the policies adopted by Velasco's government towards squatter settlements was legislation of land tenure. Many more land titles were granted from 1970 to 1972 than had been throughout the 1960's. One of the requirements to be eligible for land tenure was a certificate of civil marriage. In this way, SINAMOS tried to incorporate the new migrants to new ways and thus extended "the rule of law to the settlements." ¹

The other concern of SINAMOS was to control political opposition, neutralize the APRA and Acción Popular Committees and avoid the formation of urban guerillas as had taken place in Buenos Aires.

By 1974, Velasco was closely identified with Villa El Salvador which was called the "world's first self-managing urban community." ² It was the first community in greater Lima which was served by a new type of oversized buses, a policy that reflects some of the government's priorities.

In July 1973, the "First Convention of Villa El Salvador" was held. Participants included leaders from the community and a group of radicalized intellectuals from SINAMOS, committed to an effort to build a new and better

¹Ibid, p. 114
²Ibid, p. 112
kind of community in the new barrio. The discussions held in Villa El Salvador reflected the great debate going on within the government at this period about the merits of the cooperative form of organization and a self-managed form called "property of social interest". The community organization of the barrio first became re-structured as an "Integrated, Communal Self-Managing Cooperative", soon to be revised to the Self-Managing Urban Community of Villa El Salvador (Comunidad Urbana Auto-gestionaria El Salvador or CUAVES). The concept was that of an "Enterprise-City" "rejecting capitalist interests."¹ It was a model to be imitated.

The possibility of urban reform, as carried out in Cuba in 1960, was also studied by the Velasco regime. The exchange value of public lands, old houses and slums was low for the actual owners, but its use value was extremely high for poor migrants from the highlands, who were usually underemployed or worked in the so-called underground economy. This position was taken by the Christian Democratic Party and the magazine "Oiga" during the first year of the military rule. Eventually, a law on rent control was passed, by which a tenant would only pay one tenth of the declared value of the property per year. The law had loopholes, and soon owners charged rights of "garage use", "key use", and

¹Feattie, p. 10
so on to get around the law. An attempt was also made to stop land speculation in areas of future urban expansion and at least in one case, in Avenida Javier Prado in one of Lima's high income neighborhoods, plots of land were distributed at random among applicants at nominal prices.

2. Rural Participation

In 1969, the Agrarian Reform Law was passed. Before the Reform, the landholding pattern was highly skewed: 14% of the landowners possessed 75.9% of the total area and 83.2% of independent farmers worked properties of 5 hectares or less. This was not only economically, but also socially unfair. In the Peruvian highlands the system was medieval and cruel; as Mc Clintock points out, "Frequently hacendados flogged their peons, violated their wives, and required that they kneel and kiss their hands." In the 1960s, this kind of abuse was rare, but the hacendado still had great power and was often verbally abusive, being in total control of the hacienda politics.

With the Agrarian Reform Law, a whole set of participation mechanisms was set in motion: the government established the "Confederacion Nacional Agraria"(National

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Agrarian Confederation) as the one legitimate organ of expression of farm interests.¹ The government also organized the "Cooperativas Agrarias de Produccion" (CAPs or Agrarian Cooperatives of Production), the "Sociedades Agrarias de Interes Social" (SAIS or Agrarian Social Interest Societies, Integral Rural Settlement Projects (PIAR), Communal Cooperatives, and Integral Development Projects (PID) to stimulate local units of participation of a fully cooperative nature. These organizations were united in the above mentioned "Confederacion Nacional Agraria". But there was top down control for reasons of internal security.

There was strong opposition to military policies from the workers of the coastal sugar plantations in the north of Peru. They were in the majority strong partisans of the APRA party and traditionally against the Military. The incorporation of these workers and other low income groups into the process of controlled participation, was another task of SINAMOS.²

Cotler³ believes that because of popular pressure, the regime moved toward police repression in addition to

²Stepan, p. 121
³Cotler, Julio: The New Mode of Political Domination in Peru, in: Lowenthal, p. 68
its attempts to control popular political participation through organizations like SINAMOS.

Nevertheless, there was a real attempt to incorporate workers into self-management and "comuneros" were appointed members of the board of the SAIS or CAP or PID; yet, the director was usually an engineer. In most cooperatives, members' desire for the expertise of the engineers was overwhelmed by their fears that the technicians would usurp status and power, as was indeed the case in many instances. Thus, technicians' salaries were cut, and many directors were fined. The average annual salary of a director was under $4,000 a year\(^1\), a low figure for a university graduate with field experience. There were also tensions between the "comuneros" and the engineers who took the director's job. Mc Clintock describes very accurately a situation in which in a dialogue an intoxicated Vice-President of the "Comunidad" tells the Director that he is "not wanted, that everything was fine before he came", after having made the point that he was the Vice-President.\(^2\)

In many cases, "comuneros" without background were appointed "administradores" (administrators), as for example in the case of the hacienda Pachacayo, belonging to

\(^1\) Mc Clintock, p.137

\(^2\) Ibid, same page
the SAIS Tupac Amaru. Administrator Rubén Zarate was interested in a "trout-farm" which would provide fish for the central Andes region. The problem was that a simple cost-benefit analysis showed that the project was not profitable because the cost of pools and the food for the fish were higher than the benefits the SAIS got from selling the trout. Nevertheless, Zarate managed to be in good standing with foreign missions such as the Dutch Technical Mission and, not quite in accordance with his beliefs in equal educational opportunities for all children, he managed to get his daughter accepted in the rather elitist German-Peruvian School in Lima.

In the process of land reform, there was also petty corruption: the forms to be filled would be hidden, and peasants had to pay for them, although the forms were supposed to be free.

There was also lack of technical expertise, or when there was expertise there was lack of resources. One tragic example was the plague which wiped out the "Huando" plantation of citric fruit which until 1968 had been one of the most prosperous estates of the coastal region of Peru. The Agrarian reform was most effective in the Southern Sierra, because it destroyed the feudal structure of the local society, making the change irreversible.
3. The Industry: Workers' Self-Management

On May 2, 1974, the Law of "Comunidad Industrial" (Labor Community) was enacted. Scott Palmer says, "Perhaps the most far reaching innovation was a labor community concept requiring companies employing six or more workers to undertake profit sharing (10 percent) and worker ownership up to 50% through purchase of collective shares from profits (15%)."¹ The labor community or CI (Comunidad Industrial) was supposed to receive 15% of profits before tax, and to distribute 10% in cash to individual workers. After the 50% ownership percentage was reached, the CI could use the 15% of profits for investment in other enterprises. Initially, the CI would have one representative on the board of directors, and this representation would be proportional to the number of shares owned by the CI until the 50% limit was reached and the goal of self-management was accomplished.

The CI was self-managed in its internal matters. All members of the CI would elect a council whose members would, in due course, elect the representatives of the CI on the board of directors. The General Assembly was required to meet twice a year and approve the report on activities and accounts and decide the uses of the part

of the fund that was legally left to the free disposition of the CI. The general fund was really the income of the CI, from its shares in the enterprise. Its use was specified partly by the law, and it was to be used as compensation for CI members leaving the organization and for administrative costs. The council was supposed to carry out the daily administration of the CI and to advise and supervise the CI representatives on the board.

It is important to realize that although these experiences in self-management provided training in internal affairs, it did not give the workers the opportunity to participate directly in decision-making related to the concrete work situation in the firm. "Participation of rank and file workers in enterprise decisions was restricted to indirect election, via the CI council, of representatives with joint consultation rights at the highest level."¹ Completing the CI Statute was an Employment Stability Law. This meant that for all practical purposes, and under normal conditions, a worker had tenure for life, granted to him after only three months.

In my personal experience, this law accounted for a lot of inefficiency and abuse on the part of workers. For instance, workers would go to work inebriated. A chemical test had to be taken, but the worker had to provide a sam-

¹Stephens, p. 93
ple which, as advised by the union representative, he would dilute, and the test would show no evidence of intoxication at a "dangerous level".

Through implementation of the Industrial Law, the Military had several important - and conflicting- goals:
1. Increased state control
2. Domestic private sector incentives
3. Increased control over foreign investment
4. More opportunities for workers through participation and eventually ownership.

Other objectives were to solve Peru's unemployment problem, train manpower outside of the formal educational system, upgrade worker housing and provide common health, education, and recreational services to workers and their families.¹

Around 1975, there were 3,533 "Comunidades Industriales" with 199,179 members: 78% of all eligible individuals and 4.3% of the economically active population of Peru.²

¹Knight, Peter T: New Forms of Economic Organization in Peru: Toward Workers "Self Management" in: Lowenthal
²Scott Palmer, p. 110
4. Participation in State Owned Enterprises

The expansion of the Public Sector was one of the main characteristics of Velasco's program. The state owned companies can be classified in three groups:

a) Those taken from foreign capital: oil (Petroperu), copper (Centromin), iron ore (Hierroperu), cable and telephone (Entelperu) and railways (Enafer);

b) Those from the fishing industry: Epchap (marketing) and Pescaperu (fishing);

c) State shipping line (CPV), the hidroelectric system (Electroperu), steel enterprise (Siderperu), the flag carrier (Aeroperu), and other mineral exports (Minero-peru) and for merketing (CEOCAP).

This sector was largely formed by nationalized private companies, previously in the hands of foreign multinational enterprises. The focus of the analysis will be the Empresa Nacional de Ferrocarriles del Peru, that will represent a case study of a typical company. It will be shown that participation attempts were restricted to the workers. The bureaucracy and technocracy were marginalized from the beginning from the participatory process, and felt alienated from the process of change that was taking place in the country.

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In only thirteen years, from 1968 to 1981, Peruvian National Railways went through a serious structural transformation. The new administration would change "The Peruvian Corporation Ltd.", a British owned enterprise that owned 70% of the railway network existing in Peru. The highly taylorian and weberian institution administered by the British, that seemed an extension of the British Empire in South America turned into a highly politicized agency, where trade unions increasingly gained power, and where bureaucratic groups of newly appointed civil servants staged games of power with former railway officers who tried to preserve the taylorian model and ended up playing power games such as the ones described by Crozier. In 1975, Gen. Velasco Alvarado was deposed by General Morales Bermudez. With this new change, trade unions consolidated their newly acquired power, and government controlled all the actions of Peruvian Railways, by then called Empresa Nacional de Ferrocarriles del Peru or ENAFER-PERU. Power struggles became increasingly bitter, and there was a period in 1979, when in a period of only three months, three different persons were appointed to the position of general manager, culminating a period of administrative chaos. During the 1975-1979 period, an important role in ENAFER was played by General Jorge Gomez Becerra, who was chairman of the board. A former head of the Army Intelligence, he was in permanent contact with the military high command and the trade
unions, although he was bitterly opposed to the Minister of Transport, who did not have the power to remove him.

Peruvian Railways started being built in the 1870s under the management of an American entrepreneur: Henry Meiggs. The Southern Railway and part of the actual Central Railway were already built when, in 1879, Peru went to war with Bolivia against Chile in the so-called "salt-peter war" or "Guerra del Pacifico". To finance the war effort, Peru borrowed capital from British banks. When eventually Peru lost the war, the British shareholders formed "The Peruvian Corporation Ltd" and were given the national railway network as part of the payment, given the bankruptcy of the Peruvian State.

The British, then at the zenith of the Victorian era, brought with them their tremendously efficient administrative system and, most important, the experience they had acquired in the course of administering the British Empire. They extended the Central Railway from Chiclla (km. 141) to Huancayo (km. 346), passing through the mining cities of Morococha and La Croya. They used the local hand labor for operations, and for highly skilled labor resorted to Great Britain. For example, engine drivers were

all British until after World War II. The administration was totally British or first generation Peruvian of British parents. The former occupied high ranking positions such as those of vice-president, general manager, chief operations; the latter were employed in low middle-management jobs such as those of dispatcher, traffic inspector, etc.

In 1963, the Peruvian Corporation Ltd. took an important step towards modernization. It was decided to change the fleet of locomotives from steam to diesel-electric models. It was the era of cheap oil, and a loan of the World Bank guaranteed by the Peruvian government made feasible the purchasing of 35 modern locomotives.

Equally important, it decided to change its policy with respect to personnel: instead of bringing British railway engineers and administrators, the Peruvian Corporation Ltd. decided to contract young Peruvian engineers, pay the highest salaries in the market and send them for a minimum period of two years to be trained in management, and civil or mechanical engineering in the different sections of British Railways. Additionally, some preliminary steps were taken to implement a department of systems, using primitive Unirecord equipment.

In 1968, Ernesto de Losada, a young Peruvian civil engineer trained in England was appointed general manager.
During the same year, a general strike was declared by the trade unions. The Peruvian Corporation Ltd. ordered to maintain the freight service, and only the passenger trains were cancelled for security reasons. The freight trains were run and operated by Peruvian railway officers trained in Britain and by Peruvian staff of the department of traffic, traction and engineering who did not belong to the trade unions. After almost one month of strike, the unions gave up, and the Peruvian Corporation Ltd. had succeeded in breaking the strike without British intervention. The trade unions had been unsuccessful to break the power of the company.

It was in May 1971 that the Banco Industrial del Peru appointed German Tito Gutierrez as Acting Manager (Administrador General) of the Peruvian Corporation Ltd. One year later, he was appointed General Manager of the newly created Empresa Nacional de Ferrocarriles del Peru, ENAFER-PERU, which was formed by joining the railways of the Peruvian Corporation Ltd. and the railways of the Peruvian State. Gutierrez, a civil engineer, was member of the Partido Social Progresista, an extreme left party and had been candidate for the vice-presidency of Peru in the elections of 1963. A tough, ascetic man, he was a former congressman who had represented Arequipa, the second most important city in Peru. While a representative,
he had fought for the nationalization of oil, mineral and transportation companies.

Ernesto de Losada, the General Manager appointed by the board of Peruvian Corporation Ltd. resigned immediately, and so did most of the British officers.

Two major accidents happened in May 1971, just after the Corporation had been intervened by the Banco Industrial: in the Central Railway, the origin of the derailment was a broken rail, and in the Southern Railway the cause of the accident was excess of speed. Immediately, Gutierrez asked for technical help from the Ministry of Transport and contacted the judge of Arequipa to imprison the Manager, the Chief Traction, Chief Traffic, and Chief Engineer of the Southern Railway. Charles Ricketts, the Chief Traction, a Peruvian of British descendence who was a brother-in-law of General Ernesto Montagne, then Prime Minister of Peru, phoned Gutierrez and threatened to make a scandal if these persons were not freed immediately. Gutierrez gave up, but the committees of the Ministry of Transport used interrogating techniques in which they revenged the contempt which formerly they had been shown by the Peruvian Corporation officers when dealing with them.

Eventually, all the officers were found not guilty, but harmony had been severely disturbed and a power struggle had started between the bureaucrats appointed by the government and the old railway officers.
Training of any kind was stopped, and Gutierrez spoke of his bad feelings about British trained officers openly. He was often heard saying: "Anybody can be a railwayman". It was clear that the participatory policies of the government were not to be extended to the technocracy or bureaucracy. Gutierrez appointed Cesar Macedo, a lawyer, as Chief of Industrial Relations. Macedo would go to the districts without coordinating with any of the district superintendents, and have informal meetings with the workers to talk about their problems. This policy provoked a strong reaction from among the officials against any type of participatory policy. They were "de facto" excluded.

As Gutierrez did not trust anybody of the railway staff, he brought new officers and changed their name from "officials" to "civil servants". He promoted Clemente Peña, a person who had done some work in systems, to assistant general manager. Some Peruvian officers who had not been too successful with the British administration, joined the group, and polarization occurred at all levels. The trade unions acquired tremendous power and the general manager kept an open door policy with them. The Ministry of Transport, formerly a non-important entity, was the Ministry to whom the railways had to report. More important, perhaps, railway officials got the same raise as the rest of employees or clerks, nothing else. In this sense, they were
participating in the process, in a negative way. Gutiérrez did not realize, though, that some trade unions would use their newly acquired power to get more money. The situation climaxed in the period from 1976-1978, when an engine driver received equal salary as the manager of the two railways, and of course higher wages than all the other officers.
Although the Velasco government pretended to be "neither right nor left", it was becoming increasingly clear that it was going left. In mining towns in the high Andes such as Huancavelica, posters and banners could be read with anti-American and anti-Nixon slogans. SINAMOS played an active part in organizing and mobilizing people for those activities, and the general feeling was one of dissatisfaction, which erupted in riots in all major cities of Peru at the end of 1973. Arequipa, Cuzco, Puno and Ayacucho were the scenes of demonstrations against the government, and in Cuzco the offices of SINAMOS were burnt.

According to Philip, "The 1973 riots were initiated by SUTEP, the dissident and Aprista led teachers' union, and were followed up by students, small farmers and other groups.\(^1\)

The Oil Crisis of 1974 hit the country particularly hard. At the beginning of the 1970s, there was talk and were hopes of an oil boom in the northern Amazon region.

A trans-Andean pipeline was built from the oil wells to the Pacific. But the expectations were too high. There was less oil than expected and only a few companies, namely Petroperu and Occidental, stayed in the area. Inspite of this, the country had to pay the construction of the pipeline somehow, and therefore, most of the oil revenues had to be used for its transportation.

When oil prices went up, the government took a drastic and somewhat naive measure: automobiles were allowed to circulate only five days a week. The auto owners had the choice of not going out by car either Monday/Wednesday or Tuesday/Thursday. Every car had to display a white or red sticker accordingly, under the motto "Ahorro es Progresso" (Savings mean Progress).

The gasoline price went up fifty percent and kept on raising, and the people started getting uncomfortable with the knowledge that high ranking Military had not only free cars but also free gasoline. The Military painted their cars in "civilian" colors, trying to be less conspicuous, and aggressive civilians exhibited a sticker "Yo pago mi gasolina, y Usted?" (I pay for my gasoline, and you) next to the red or white one sticker prescribed by the government.

Adding up to the problems of the government, the "anchoveta" fish disappeared from the coast of Peru, and
the fish meal industry, an important source of foreign exchange for Peru in the 1960's, sharply decreased its output.

The fish meal baron, Rodolfo Banchero, was murdered, and his secretary, Eugenia Sessarego, a young and independent woman belonging to the high-middle income sector of Lima, was accused, tried in a witch-like atmosphere, and found guilty without conclusive evidence. "Expreso", the official newspaper published details of the private life of Banchero and the relationship with Sessarego in a rather sordid way. Needless to say, the Lima middle income sector protested without success against the way the trial had been conducted and the unfair and shocking manner that cheap publicity was being made for the government, trying to make Sessarego a symbol of the local decadence of the former ruling classes. This affair widened the existing gap between the government and a great part of the population.

In February 1975, the Police Force declared a general strike, demanding higher wages and better treatment from the Military. On the second day of the strike, there was looting organized by the APRA\(^1\) that tried to capitalize the situation. The Army suffocated the riots with brutality. Tanks were sent to the streets and people

\(^{1}\text{Thorndike, Guillermo: No, mi General. Lima: Editorial Mosca Azul, 1975}\)
machine-gunned. Many policemen were killed because they decided to carry on with the strike. The number of the dead is not yet known.

This event proved to be the beginning of the end of the Velasco era. Some months earlier, Velasco had in a very unwise movement taken over the newspapers and closed all magazines which protested against the drastic measures and demanded free press. As there was no free press to report on the mentioned tragic events, word of mouth spread the news augmenting to the seriousness of the situation. General curfew from 8 p.m. to 6 p.m. was declared, and shots were heard throughout the night all around the city, while tanks circulated the whole night patrolling the city. It was evident that the government had lost popularity and support. Velasco was seriously ill and the feeling was that he was no longer in control of the situation. What had seemed a participatory process had become a dictatorship that was leaning strongly to the left.

One of the policies of the government had been to establish diplomatic relations with third-world countries that belonged to the "non-aligned" group or "Group of the 77". The Lima-Sheraton Hotel and the new Civic Center had been chosen as the scenario of a meeting of the non-alligned nations of the world. As Cuba was one of the most prominent non-alligned nations of the world, the people of Peru looked
at the meeting with skeptical and apprehensive eyes. General Velasco was scheduled to open the meeting with a speech to the leaders of different nations, but it was not to be: on the morning of the inauguration day, August 29, 1975, General F. Morales Bermúdez launched a coup, supported by the commands of all five military regions of the country.

Even though Gen. Morales Bermúdez, in his speech to the Nation, promised to carry on with "the Revolution", he took drastic measures to return the country to a democratic center.

General Rudecindo Zavaleta, who later became Chairman of the Board of Peruvian National Railways, was given the task of dismantling SINAMOS. He succeeded the radical and leftist Gen. L. Rodríguez Figueroa, good friend of Raúl Castro. The "Confederación Nacional Agraria" that had been led by the charismatic Avelino Mar, was given less and less importance. The new government initially pretended to continue with Velasco's policies of participation, but in fact participation was discouraged, in this "second phase" of the revolution.

For example, the change of government "represented a very basic change in the political context for Villa El Salvador. SINAMOS ceased to play an important role, and the SINAMOS leaders who had been involved in community organization and self-management dropped out of sight."¹

¹Feattie, p. 12
The bureaucratic apparatus mounted by the previous regime was dismantled:

In 1979 the Peruvian government began a re-structuring of the administrative apparatus for settlements like Villa El Salvador. The central organization for Young Towns was abolished. Its various functions were parcelled out to a number of different offices in the Ministry of Housing. A new law - number 22612- was drafted to replace Law 13517; this legislation was to place the service and other requirements of marginal settlements within the normal municipal structure, on the same basis as any other urban area."

These actions were designed to diffuse the power of the Community Associations and Young Towns that had been shown in the general strike of July 1978, the first in twenty years.

Local industrialists were not investing, afraid of the consequences of the CI, and that it might lead to communism.

State owned enterprises had by then become a synonym for inefficiency and bureaucracy in the derogatory sense of the word.

General Jorge Gomez Becerra was appointed chairman of the board of ENAFER-PERU. His approach undermined the discipline and lowered the morale of the officers. He maintained an open door policy with the trade unions, and

1Peattie, p. 17
not only criticized the officials, but also the new general manager, Edmundo Montagne, brother of the Prime Minister of General Velaso's regime. Montagne did not have the support of either the Chairman of the Board nor the Minister of Transport. Gómez Becerra's sense of participation was restricted to the workers and to being "chummy" with them, making at the same time the officials a target, a common enemy.

Although the law of creation of Peruvian National Railways very clearly stated that a client could not be part of the board (for obvious reasons), the powerful Ministry of Energy and Mines appointed a member of Centromin-Peru, a mining company that owned the railway La Oroya - Cerro de Pasco in the central Andes. In this way, Gómez Becerra made sure to have a railway expert next to him: Ciro Odiaga, railway manager of Centromin-Peru (formerly known as Cerro de Pasco Corporation), had in 1968 worked as superintendent of the state owned railways and was ready to show his knowledge and experience in railways to other members of the board.

Between April and July 1979, three persons occupied the position of general manager, while Gen. Gómez Becerra held his position. Three persons occupied the position of Minister of Transport, but all three were unable to remove him until July 1979, when ENAFER was for
the third time declared in process of reorganization. The Minister appointed Gen. Rudecindo Zabaleta as new Chairman of the Board. The Minister of Transport was soon replaced by Gen. J. Soriano Morgan who personally chose Jorge Acosta, a retired Army officer as General Manager. Acosta appointed new men to the positions of manager of stores and supplies, manager of finances, and manager of industrial relations. Although the Central and Southern Railways kept their number of railway officials, the general management of ENAFER increased its staff from around 30 people during the pre-1968 era to around 300 people. The new groups wrote memos to each other, asked for reports, and kept themselves busy, but had nothing to do with the railways. They interfered with the operational units in their thirst for reports and charts.

The new bureaucrats occupied the highest positions with the better salaries. The authority of the officials diminished continuously. The power of the trade unions undermined discipline and the very strict and very rigid and unoperative norms of control of the Peruvian State led to a total frustration of railway officers many of whom left the organization and went to work in the private sector, international agencies or universities.

The policies that the government took in order to stabilize the country were quite orthodox: reduce demand.
These policies hit the low income sector of the population particularly hard.

Scott Palmer states that the government was forced to try to improve a number of economic restrictions (in June) which adversely affected precisely those elements of the population which had been the beneficiaries of the reforms at this juncture, many such elements were able to use their new organizational capacity to try to protect the prerogatives so recently facilitated by the government; for example, the announcement of a general strike in August. Domestically, however, the economic crisis continued to place the heaviest burden on many of those who had been favored by the Velasco phase of the revolution, or at least thought they had. \footnote{Scott Palmer, p. 121-123}

People from all the country, especially the population from squatter settlements protested against the severe economic measures. Two general strikes, in 1977 and 1978, practically paralyzed the country, giving Gen. Morales Bermúdez a clear message: it was time to go back to barracks. Civil unrest was dealt with a stark hand, but without brutality. Union leaders who promoted the strikes and had been in prison for a week and had in addition lost their jobs, later went back to their same jobs.

Elections were called in 1979 to elect representatives to write a modern, updated Constitution. The AFRA party won by a large margin, and its leader, Victor Raul Haya de la Torre, presided the "Asamblea Constituyente"
during one whole year. He died soon after signing the new Constitution, leaving his party divided over the issue of succession. Armando Villanueva represented the left, Andres Townsend the right wing. With not so subtle manoeuvring, Villanueva got hold of the position, but the image of the party suffered.

In the May 1980 elections, architect F. Belaunde Terry, who had not taken part in the elections for the Constitution Assembly, was elected President of Peru, winning by a wide margin and having absolute majority in Congress.
Chapter IV
ANALYSIS AND CONCLUSIONS

1. Theories

Among the many theories of participation, there are three clearly demarcated trends:

1) Participation takes place within certain boundaries.
2) Participation is seen as co-option of the workers.
3) Participation is seen as a continuum that ranges from participation to citizen control.

Thomason \(^1\) is representative of the first model: "Participation refers to a process in which two or more parties influence each other in making certain plans, policies and decisions. It is restricted to decisions that have further effects on all those making the decisions and on those represented by them." He calls participation " a process in which workers share or take some part in the decision making function of the enterprise, and do so as a right or at least on a basis other than accidental or quixotic."

Mandel takes a radical position:

Participation means: associating the workers with capital, accepting secret arrangements with capital, permanent secret meetings, economic 'coordinating' committees and even 'control committees' (such as those in gas and electricity), where workers actually control nothing at all but become corresponsibles, in the eyes of the public opinion, for the exorbitant rates charged and for the fat profits of the monopolies.

Arnstein advocates not only taking part in the decision making process, but control of resources, dismissing self-help and citizen involvement as euphemisms and equating citizen participation to citizen power:

It is the redistribution of power that enables the have-not citizens, presently excluded from the political and economic processes, to be deliberately included in the future. It is the strategy by which the have-nots join in determining how information is shared, goals and policies are set, tax resources are allocated, programs are operated and benefits like contracts and patronage are parcelled out. In short, it is the means by which they can induce significant social reform which enables them to share in the benefit of the affluent society.

This last definition of participation will be adopted for the present analysis. It is therefore important to look at it in more detail.


Arnstein defines a topology of eight levels of participation, arranging them for illustrative purposes in a ladder pattern. Each rung corresponds to the extent of citizen's power in determining the final product.

The bottom rungs of the ladder are: (1) Manipulation and (2) Therapy. These two rungs describe levels of "non-participation" that have been contrived by some to substitute for genuine participation. Their real objective is not to enable people to participate in planning or conducting programs, but to enable power-holders to "educate" and "cure" the participants. Rungs 3 and 4 progress to levels of "tokenism" that allow the have-nots to hear and have a voice: (3) Informing and (4) Consultation. When they are proffered, citizens may indeed hear and be heard. But under these conditions they lack the power to ensure that their views will be heeded by the powerful. When participation is restricted to these levels, there is no follow-through, no "muscle", hence no assurance of changing status quo. Rung (5) Placation, is simply a higher level tokenism because the groundrules allow have-nots to advise, but retain for the powerholders the continued right to decide. Further up the ladder are levels of citizen power with increasing degrees of decision making clout. Citizens can enter into a (6) Partnership that enables them to negotiate and engage in trade-offs with traditional powerholders. At the topmost rungs, (7) Delegated Power and (8) Citizen Control, have-not citizens obtain the majority of decision-making seats, or full managerial power. Obviously, the eight-rung ladder is a simplification, but it helps to illustrate the point that so many have missed - that there are significant gradations of citizen participation.

Castells suggests pre-requisites for the development of participation:

1 Arnstein, p. 217
Eight Rungs on a Ladder of Citizen Participation

From: Ladder of Citizen Participation.  
a) A reformist program and realistic political measures in the same direction
b) A nationalistic and demagogic ideology
c) Complementary repressive practices

These prerequisites seem particularly suited to developing countries, where revolutionary regimes attempt change.

The model of participation espoused by the Peruvian Military was rather simple: the Peruvian people would back the Military in a process of participation that would change the power structures of the country, in an effort to achieve development.

Participation was supposed to take place in several areas:
- Rural participation
- Urban participation
- Participation in the industry
- Participation in state owned enterprises.

In order to explain the difference between theory in use and theory of action, two hypotheses can be formulated:

**Hypothesis I**: the Military did not really want partici-

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pation, but wanted to control the process of change. To espouse participation was a way to secure popular support and neutralize opposition.

**Hypothesis II:** the Military wanted participation, but when the revolution lost momentum and there were no visible reforms to be made, and the oil crisis and subsequent economic impacts hit the country, austerity policies were taken, real income went down and the expectations that had been raise with participation could not be met. To increase participation would augment false expectations, therefore participation had to be relegated to a secondary position.

**Hypothesis III:** People benefitted by reforms want equality and are ready to share with low income sectors of society.

**Hypothesis IV:** Local industrialists would accept self-management concept and would augment or at least maintain their investment rate.

**Hypothesis V:** Workers or peasants benefitted by the reforms would identify themselves with their organizations, increase their productivity and diminish the number of strikes.

2. **Actors**

The main actors in the process -not necessarily in order of importance- were:
a) The Military: They formed a government that Stepan has classified as "inclusionary corporatism".\(^1\)

Schnittter denominates corporatism as:

> a system of interest representation in which the constituent units are organized into a limited number of singular, compulsory, noncompetitive, hierarchically ordered and functionally differentiate categories, recognized or licensed (if not created) by the state and granted a deliberate representative monopoly within the respective categories in exchange for observing certain controls of their selection of leaders and articulation of demands and supports.\(^2\)

They attempted to "include" workers in the process against the old order and traditional oligarchies. The military program fulfilled all the pre-requisites for participation already mentioned, opposing at the same time traditional (non-industrial) foreign capital and promoting controlled mobilization, trying to make reforms within the existing political space.

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\(^1\) Stepan, p. 154

\(^2\) Schnitter, Philippe C.: Still the Century of Corporatism? in Stepan, p. 66
b) Technocracy and Bureaucracy:

As more and more industries were nationalized, the importance of the technocracy was evident: they were needed to run the different state owned enterprises that ranged from oil companies (Petroperu) to cinemas which had belonged to the oligarchy (e.g. the "Cine Colon" in downtown Lima). They were alienated from the process of structural transformations which was taking place in the country and formed associations to protect themselves against unilateral actions taken by the Military.

The local bureaucracy, represented by the staff of the different Ministries, acquired power and vented their frustrations on the technocracy of the state owned enterprises, trying to restrict their autonomy and to make them subservient to their wishes.

c) Political Parties:

- APRA: During Velasco's regime, the APRA was acknowledged as the opposition. Some former party members, such as Carlos Delgado, number 2 in the SINAMOS hierarchy, joined the revolution because it embodied the reforms that APRA had promoted since the 1920's. The APRA played a very important part in the writing of the 1979 Constitution and was a key factor in the Morales Bermudez regime as a catalytic agent for the transference of power to the civilians.
- Partido Social Progresista:

Its two leaders Alberto Ruiz Eldredge and German Tito Gutiérrez were part of the COAP (Advisory Committee to the President), were in charge of "Expreso", the officialist newspaper, and in the case of Gutiérrez managed a state owned enterprise, making full use of the power given to them by the Military.

- Partido Demócrata Cristiano:

This party, led by Hector Cornejo Chávez who was appointed Director of the prestigious newspaper "El Comercio" (with the nationalization of the press in 1974), played a major role advising the President and shaping policies, the same as the Social Progresistas. The irony of the situation was that they never got 10% of the votes in any presidential election, but found themselves with power to change a country.

d) Interest Groups:

- Industrialists: They took advantage of a low foreign exchange rate to purchase machinery that was in fact subsidized by the State. When the government approved the "Ley de Comunidad Industrial (CI), they stopped investments adding up to the problems of the Military.

- The Catholic Church: From being the protectors of the status-quo and the landed gentry, they became "revolutio-
nary" showing their capacity for adaptation and ever present power. The Bambardén case in the Pamplona invasion was only a sample of the power of the Church even during the Military regime.

e) The People:

Although they participated in the process, it was not always in the way the Military wanted it to be. Trade Unions used their newly acquired strength to serve their own interests, which in many cases meant simply higher wages. SINAMOS organized people that proved not to be innocuous in the general strikes of 1977 and 1978, when the population of squatter settlements such as Matazango stoned vehicles of people who tried to ignore the strike and wanted to work.

3. Analysis

Although the Peruvian government was apparently committed to workers participation, there was no agreement among its members about the issue: on the left of the spectrum (26%), officers take a positive attitude towards autonomous mass organizations. In the center (34%), themes of functional participation, under the control of the government officials, predominate; on the right (40%), law and order schemes and unconditional and uncritical support of the government and condemnation of strikes

become the central themes. There is, therefore, a difference between the theory in use and the theory of action of the military government, a difference whose origin can be traced at the very top. Yet more differences can be found examining each of the four typical areas of participation:

- Urban Participation:

  The government tried to get support from the inhabitants of squatter settlements, but at the same time, tried to induce orderly growth of the city with projects such as Villa El Salvador. SINAMOS relocated settlers and in doing so, antagonized them. Its personnel did not follow through on projects it had helped to initiate, showing its real objectives:\(^1\):

  1. Neutralize the mobilization of the low income sector.
  2. Make it possible to have the zone controlled by the military.
  3. Hamper the spontaneous and unorderly growth of the city.
  4. Build a wide base of government support.
  5. Articulate the neighborhood and community associations in order to prevent a relation with leftists and popular movements.

Eventually, SINAMOS's activities decreased in importance.\textsuperscript{1} Its mobilization efforts were constantly supervised and were constrained and frequently checked or altered by the national military government and/or by regional military commanders. These contradictions in SINAMOS were so severe that by 1975 it was widely accepted even by the Military that it was a failure.

The possibility of Urban Reorm following the Cuban Model was abandoned, because the Government did not want to discourage investment from the private sector.

- Rural Participation:

Almost 7.2 million hectares were affected by the agrarian reform to benefit around 250,000 families, modifying the pattern of ownership, but not the structure of production or the allocation of labor to the land. One quarter of the rural population has benefited from the land reform. There was not much participation in the process, only from the top down, but "for all intents and purposes, the application of the 1969 Agrarian Reform Law, has been the only action of the Revolutionary Government of the Armed Forces which has brought about significant

\textsuperscript{1}Stepan, p. 315
changes in the situation of the residents of rural Peru since 1968,\footnote{Bourque and Scott Paler, p. 103} inspite of low profits, low productivity, unwise investment, weak management, and having no income distribution, and remarks of the sort made by agricultural government officials.\footnote{Cleaves and Scurrah, p. 236}

On the whole, Andean peasants rejected the idea of shared property\footnote{Bourque S.C. and Warren, K.B.: Political Participation and the Revolution.: Lessons from Rural Peru. Washington D.C. Smithsonian Institute, 1978, p. 15} and became an elite within the rural sector. Cooperative members of the sugar plantations in the coastal areas rejected to have to redistribute their earnings for the benefit of the poorer regions in the country.

- Industrial Participation

Of the four goals of the Law of the "Comunidades Industriales", only the last one was officially espoused: to create more opportunities for workers through participation and eventual ownership. The other three can be constructed from the supposed benefits of self-management and other goals of the military government. The Peruvian government also expected a reduction in strikes as a result of workers' participation, because the workers'
interests would be represented and also because the use of strike is costly for labor. This, however, did not happen. The CI failed to identify the workers as co-owners of the enterprise, and contributing to the process of mobilization had an indirect impact on the increasing strike rate by raising the workers' potential for collective action.\(^1\) It also formed an elite benefitting only the modern sector industrial employees.\(^2\)

- State Owned Enterprises:

In the case of the state owned enterprises, the idea of participation was seriously distorted. The power groups in control paid lip-service to the trade unions and workers in general, but antagonized the bureaucracy, perhaps because they did not want it to have a leadership role in the transformation process that was taking place.

There is a clear example that the Military did not want the workers to have full participation in the decision making process at the highest level:

The Law 19538 of the creation of ENAFER mentions in article 12 H that "two representatives of the workers of ENAFER-PERU will be part of the Board of Directors, in

\(^1\) Stephens, p. 130

charge of the organization, direction and administration of ENAFER. In reality, these two workers were never appointed, perhaps because the trade unions, belonging to different political affiliations (AFRA and Communist Party) could never agree on who should represent the workers on the Board. The Board, on the other hand, was never enthusiastic about implementing the item concerning workers' participation.

Research needs to be done in this area, but empirical evidence would show a similar panorama in other state owned enterprises.

The technocrats, alienated from the process, kept their values and forcefully opposed change.

As Max Weber put it:

With all the changes of masters in France since the time of the First Empire, the power machine has remained essentially the same. Such a machine makes 'revolution', in the sense of the forceful creation of entirely new formations of authority, technically more and more impossible, especially when the apparatus controls the modern means of communication (telegraph, etc.) and also by virtue of its internal rationalized structure. In classic fashion, France has demonstrated how this process has substituted coup d'état for 'revolution': all successful transformations in France have amounted to coups d'état.

As in the cases of squatter settlements, rural cooperatives and industry, mobilized workers organized strikes as a protest against the economic measures taken by the government showing unexpected initiative, and also proving the government that they were not innocuous.

4. Conclusions

**Hypothesis I**: is accepted in view of the analysis made in the urban, rural, industrial and state owned enterprises' cases. The Military did not want participation but wanted to control the process of change. They manipulated convinced that it was the best way to achieve their objectives.

**Hypothesis II**: is rejected because it has been proved that only a small fraction of the Military wanted participation.

**Hypothesis III**: is rejected because the people who were benefitted by the reforms did not want to share, showing strong individualistic characteristics.

**Hypothesis IV**: is rejected because local industrialists rejected the concept of self-management and withheld investment, contributing thus to the economic crisis.

**Hypothesis V**: is rejected because the number of strikes increased and people did not identify with their organizations.
The consequences of the actions taken by the military government are varied: on the positive side they include a land reform, the creation of state enterprises, the renegotiation of terms for further foreign investment and the emergence of a strong state from a previously disarticulated public sector.

On the other hand, the twist given to the participatory process by the Military, reducing it to manipulation, the use of demagogy to raise false expectations, and the repression that followed when it was clear that those expectations could not be met because the country was in a deep crisis, have seriously damaged the concept of citizens' participation.

The urban disorders and unruly behavior of the population of squatter settlements is a consequence of mobilization attempts, capitalized by radical groups.

The guerilla launched by "Sendero Luminoso" in the Department of Ayacucho can be traced to the inability of the Military government to solve the problem of rural poverty and to benefit more families in the process of agrarian reform. Moreover, the demagogic pretense that all peasants were to become landowners, was clearly absurd from the start.

The conflicting goals of the CI have been the cause of inefficiency, low standards and less local investment,
and the case of State owned enterprises and their constant power struggles that have little to do with any participatory process but a lot with games of power are undesirable outcomes that show what not to do in a process of change. The important question, what to do, remains to be answered.
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