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9. ABSTRACT

This paper applies systems analysis to a study of the world economy to create, with Peru as the model, a sample policy planning country study that illustrates how AID should, in theoretical and operational terms, proceed to implement the New Directions aid legislation mandated by Congress. The New Directions foreign aid policy is a humanistic statement that the world's poor deserve to live a decent life. The essay seeks to define the processes that create and sustain poverty in specific groups, regions, and countries. The study demonstrates that the analytical and operational responsibilities of AID's Latin America Bureau to meet the Congressional New Directions mandate of participatory development cannot be fulfilled with the conventional collection of normative assumptions and analytical tools, a collection termed "developmentalism". The normative basis of developmentalism has been shown to be antithetical to the welfare of the majority of poor people. From the systems analysis approach there logically develops three basic categories of international development activities. They are ameliorative, technocratic, and conflictive. Conflictive activities involve the participatory processes which are integral to an activity which will have significant and lasting positive benefit for the poor. Systems analysis argues explicitly for the interrelationship of political, economic, and social processes over both time and space. It posits that the economic processes are the core determinant, doubly so for analysts who are desirous of affecting economic change. Thus the conditioning and organizational impact of nation-states and cultural communities are in such an analysis subsidiary to the way people structure their economic relations.

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Guy Gran

Preface

"Under capitalism, man exploits man; under socialism,
it is the other way around" (anonymous Pole)

There are at least two basic kinds of truth in Washington foreign policy analysis. One is political truth, written from implicit, normative frameworks to please the reader's ideological view. The other is intellectual truth, written from an explicit normative view and assessing the best available evidence regardless of where it leads the conclusions. This paper was commissioned by the Latin American Bureau of AID to be the latter. What was asked was to apply system's analysis to a study of the world economy to create, with Peru as the model, a sample policy planning country study that would illustrate how AID should, in theoretical and operation terms, proceed to implement the New Directions aid legislation mandated by Congress. Systems-analysis does not have a normative content. But New Directions foreign aid policy is an openly humanistic statement that the world's poor deserve to live a decent life. Secretary Vance's April 30, 1977 discussion of human rights provides the clearest normative framework which guides the policy and thus this paper.

To embark on the application of system's analysis to the study of the development process requires using analytical tools and vocabulary that are for the most part of very recent origin. It requires as well very different ways of looking at history, economics and cross-cultural area studies than are customary in conventional Washington analysis; it is hoped that the professional development analyst, for whom this paper is primarily designed, will rise to the challenge and see if these paradigms and analytic tools are not more functional than the conventional ones for the stated tasks. In this vein I hope the reader, busy as he

or she undoubtedly is, will not skip the whole theoretical and historical framework and jump to the project analysis as the more familiar terrain.

This essay began as an exercise in rearranging the data on modern Peru in a way that would be most suggestive for AID's development designers to proceed with project identification. The essay grew in multiple directions as it sought to define the processes that create and sustain poverty in specific groups, regions and countries. What resulted are some admittedly provocative discussions of:

- o Peru's long term structural crisis as part of the world system.
- o Severe contradictions and flaws in IMF analysis and prescriptions for the current crisis which urgently demand basic reconsideration.
- o The contradiction that AID has one role as part of the world system that creates and sustains poverty yet is simultaneously mandated to work against the system to help the world's poor.
- o Multiple forms of confidence mechanisms and unequal exchange that international aid activities must oppose.
- o The theoretical and operational basis for the participatory development model New Directions calls for.
- o Judgments of current AID and IBRD programs from such criteria and the sobering conclusions that result.

As a longtime Washington analyst and student of bureaucracy, the author recognizes the utopian elements of some of the conclusions reached. The normative basis of President Carter's foreign policy ideals, however, leads ineluctably to the kind of analytical and operational activities sketched. The Congressional mandate embodied in the New Directions aid policy is virtually identical in its articulation of the human rights of the poor. And Secretary Vance's definition

of human rights in even broader and more precise. On this consensus this study rests.

No such production comes into being without substantial assistance; for a non-Peru specialist with but four months for research and writing, it was doubly necessary. Many people in Washington and New York gave me leads to sources, access to obscure articles, and patiently allowed me to refine initial ideas and impressions. Among published guides the standard Handbook of Latin American Studies was most helpful, particularly the anthropology sections. The greatest assistance, however, was rendered by the reception (battering) of the initial draft by five readers who spanned the fields of its concerns: two Peruvianists, one economist, one development specialist, and one systems analyst. All are premier analysts, and the author was saved multiple errors of omission and commission. The remaining flaws are my own.

It is worth saying in conclusion that Peruvian nationals, Peruvianists, and others may take offense at the depth and nature of the critique of Peru's development model. To these people I would state that offense is not the purpose. If Peru's development experiment was not so promising in so many ways it would not be worthy of such a degree of criticism by such exacting standards.

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I. Theoretical Introduction

A. Thesis and the Theoretical Need for a New Model

In his January 1978 State of the Union address President Carter elegantly crystallized the heart of an ideal American foreign policy as "to ensure economic justice, to advance human rights, to resolve conflicts without violence, and to proclaim our constant faith in the liberty and dignity of human beings everywhere." Far away in the Peruvian highlands live millions of Quechua and Aymara speakers culturally disdained and economically abused by Spanish speaking mestizos in both city and country. One late 1960's report of the 'subsistence' activities of mestizo townsmen (quoted in Stein, 1974:8) lays bare some initial inkling and flavors of the chasm between the realization of these lofty ideals and the interaction of most Peruvians with the world-system.

Shopkeepers, merchants, petty officials, priests, petty proprietors and money-lenders living in the small towns are accustomed to making their livings out of Indian peasants by renting land, selling bad liquor and extravagant paraphernalia for fiestas, collecting tithes and first-fruits, charging interest, exploiting "voluntary" labor-service for church and town, "buying green," short weighting, exacting fines, providing quack legal advice, and other ingenious methods of exacting from the peasant any surplus in produce, cash, or labour.

The Peruvian Revolutionary Government has since 1968 professed to fight against these and far worse deprivations. The Agency for International Development and other international development institutions are mandated to join this effort. All, however, are part of the world-system that created and sustains the chasm.

This study proposes to explore this contradiction and some potential ways around it, using the experience of Peru to illustrate the overall dilemmas of Third World development. The goal will be to create an alternative intellectual and operational model and to demonstrate how such a model could be used to reshape international development intrusions to move significantly further toward the ideals of economic justice and human rights defined by Secretary Vance on April 30, 1977.

In particular this work will try to show how to implement AID's New Directions legislation to assist in meeting the basic human needs of the poorest 25-50% in a society via a broadly participatory development strategy. To do this first requires that some very basic mental tools be refashioned. This means an excursion through ontology, ideology, methodology, and terminology into a new vision of development.

The nature of modernization is one of change. What is meant by such a simple statement? An empirically verifiable reality has been asserted. This is the basic method of most western social science analysis, a method called empiricism (or perhaps, more justly, pseudo-empiricism). Empiricists focus only on what can be observed; if a reality or association cannot be observed, it cannot be known. Laws of nature are only assumptions. Thus social science, the conventional tool for the study of development, asserts itself to be value-free and neutral. Apolitical technical experts supply data; it is the politicians who make the normative choices.

Something else, however, happens when social science is applied to development policy. There is an error of omission. The empiricist social scientist, by explicitly not asking questions about epistemological and ontological assumptions (what could be), is inevitably drawn to accept, explain, and finally justify what is. That includes the existing social order. Does this not fundamentally refute the claim of such work as apolitical, neutral, or scientific? Even worse, by the social scientist's assumption of natural laws (e.g. the market in economics) based on apparent correlations of observed variables, he is blinded to and divorced from the individual historical and social setting of the phenomena. That is an illogical and unscientific position for a self proclaimed scientist.

In the social sciences there is, in sum, no such thing as objectivity as the term is customarily used. This is crucial to reconsider, because the underlying world model of conventional developmental economics has normative elements.

elements which contradict the very open and explicit humanistic values of New Directions aid policy. Therefore to fulfill the legislative mandate, AID necessarily must seek to construct a new paradigm the assumptions of which are consistent with the welfare of society's poor. I will demonstrate this assertion and support an alternative.

The analysis which follows owes, at the onset, an obvious and profound intellectual debt to the writings of Immanuel Wallerstein (Director, Fernand Braudel Center for the Study of Economics, Historical Systems, and Civilizations at SUNY Binghamton), Samir Amin (Director of U.N. African Institute for Economic Development and Planning at Dakar), and Charles Elliott (of the University of East Anglia School of Development Studies).

B. The Conventional Model of Developmentalism

The conventional world model underlying current U.S. development policy and practice can be reduced to a series of historical and normative assertions which Wallerstein (1976 a:344) has synthesized as 'developmentalism.'

This perspective assumed that all states were engaged in 'developing' (which for many meant 'becoming nations'), that their progress along this path could be measured quantitatively and synchronically, and that on the basis of knowledge derived from such measurements, governments could in fact hasten the process, which was a highly commendable thing to do. Since these states were proceeding down parallel paths, all states were intrinsically capable of achieving the desired results. The only serious intellectual question was why so many resisted doing so.

Unfortunately for the U.S., Europe and the Soviet Union who all proceeded to act on these theoretical assumptions, the inaccuracies of the model have been well demonstrated by historical experience. The gap between rich and poor grew wider; most societies prove incapable of the results expected or hoped for.

When a theoretical model fails, it is less wise to offer new treatments to visible symptoms of the problem than to seek to understand the processes at work causing the problem. One manifest failure of 'developmentalism' was to choose 'society' as the unit of analysis, as though each nation-state were a relatively autonomous unit.

But Zaire, Egypt, Israel and many other states would not exist without their external links and support. Between 1970 and 1975 the United States paid 80-90% of the annual operating budget of the governments in Saigon, Phnom Penh, and Urentiane. It would seem, in sum, inappropriate to base a theory aimed at economic results on analytical units that are basically socio-political in nature.

C. The World-System Paradigm and its Historical Predecessors

To replace 'developmentalism' one needs ways of understanding people as they act in economic roles and as they relate to each other economically. The term that encompasses these concerns best is 'mode of production': "the way in which decisions are made about dividing up productive tasks, about quantities of goods to be produced and labor-time to be invested, about quantities of goods to be consumed or accumulated, about the distribution of the goods produced." (from Wallerstein, 1976 a:345)

Individuals or families fit into different modes of production in three general ways, all of which figure in contemporary Peru. Some households, such as the highland villagers of Uchucmarca described by Brush (1977), are largely integral unto themselves. Many households in both the Peruvian highlands and lowlands now earn partial subsistence and maintenance within world-economy production but also earn part from their own (and kin) subsistence efforts. At the other end of the spectrum are sugar plantation workers and urban bureaucrats whose entire lifetime needs must be met by their role in the world-economy. A development model must first explain where and how individuals fit within different modes of production at a particular time.

At the second level a development model must entail an understanding of different modes of production - what they are and how they evolved through both space and time. For it is these processes and links which are fundamental to creating and recreating what Wallerstein calls the world-system perspective and what I shall use as the most basic theoretical paradigm of this work.

The term world-system is most fully understandable when placed within an historical perspective. There are, to be sure, additional and subsidiary organizing forces that worked in varying degrees of conflict and cooperation to give form and direction to historical change. One is the formation and disintegration of national states, of which much is known; a second is the evolution of cultural communities. As a most recent essay (Hopkins and Wallerstein, 1977) suggests, far more research is in order on all of these. But the broad outlines of basic changes in modes of production will show clearly how Peru, for instance, arrived at its current predicament.

The earliest form of human production, apparently common in much of the ancient world but with few vestiges today, was the reciprocal-lineage mode. Production and exchange was carried out by and among kin, normally in relatively small political and social units. Human labor was the principle production input. Economic needs helped to generate social sanctions on women and children to protect and insure the source of new labor. Inequalities existed, but too much wealth destabilized overall social control. The incentive for maximizing production was thus absent.

What are commonly termed civilizations or empires inaugurated the second major mode of production: the tributary mode. It differed from the initial mode by having a sufficient technological base to produce enough surplus (production beyond the costs of recreating the labor) to support people who were not producers but bureaucrats. Weber and many others described this tributary mode in detail. Wallerstein (1976 a:346-7) synthesized the mode with the term 'world empire' and pointed to a core similarity to the earlier mode. Both need their subjects to survive. The same bureaucracy in the world empire which collected the tribute also distributed it; the more that reached the top the greater the potential target and

thus incentive for self-enrichment there was for all intermediaries. Ch'ü T'ung-tsu's Local Government in China under the Ch'ing (1962) is a very famous rendition of this. If the rulers pressed too hard, producers would starve, flee, or revolt. At base the rulers standard of living depended more on stability and continuity of production. New technology per se was not central unless to reverse decline. But, as in earlier mode, there was a profound integral incentive to insure a fixed income and thus insure that the producers, society's poor, not starve.

D. Human Rights within the World-System

It is this minimal human rights component which departs from the third mode of production which began its sweep to world dominance from about 1450 in Europe. What we have now is a world-economy, defined by Wallerstein (1976 a:348) as "a single division of labor within which are located multiple cultures but which as no overarching political structure." It is the market, instead, which distributes surplus according to whatever exchange is most profitable. This opens up at least two fundamental potential abridgements of human rights, the rights which current U.S. foreign aid policy is trying to advance.

The "free" market embodies a basic ambivalence about freedom. Both the buyer and the seller naturally want maximum advantage and thus maximum freedom for themselves but at the same time maximum constraint on the other. Both compete for power through social and political channels. Historically it has been far easier to organize the few; several centuries of monopoly, shared monopoly, and highly skewed incomes have resulted. This continuing dynamic in most parts of the world-system does not bode well for the human rights of the poorest 25-50% in any specific society like Peru.

An even greater infringement of human needs comes with the impact of profit. In a market both the accumulators and producers (terms I deem far more precise and appropriate than those common in capitalist or marxist parlance) are struggling to control the surplus. Wallerstein (1976a:349) compares the ultimate utility of the producer in the world-empire and world-economy in this fashion.

In a redistributive system, the primary weapon of the powerful is the sword. Thus death of the political resistant, but minimal life for the acquiescent producer is the basic law of political life. But in a capitalist mode, with economic cycles, the life of the producer can be more unprofitable as consumer of surplus than profitable as producer of surplus. Thus the politico-military machinery can frequently best serve to maximize profit by permitting starvation, both literally and figuratively.

This does much to explain the protein deficiency and or starvation in Peru, Brazil, Zaire, Namibia and nearly every other country in the world. AID's New Directions mandate runs precisely counter to processes that bring such results. Working in an historical era when it is not feasible to make 25-75% of any given society into significantly more profitable consumers or producers, AID finds and will continue to find accumulators throughout most societies who will actively undermine AID's efforts to alter the present production opportunities of the poor because such activities would threaten their own semi monopoly on what surplus there is.

If the operating processes of the current world-system raise considerable obstacles to human rights and needs over time so they do also over territorial space. In designing international development intrusions one must face not only the wide disparities of control of and access to constituent parts of the overall mode of production (patents, investment capital, etc.) but also disparities and conflicts born out of the spatial ordering of production and specialization between regions and countries. The terms now widely used for this spatial dichotomy are 'core' and 'periphery'. Peru, producing predominantly primary commodities for export with relatively low wages paid its producers, sits as one of many peripheral

states interacting with the core societies of the United States, Europe and Japan. Characteristic of core societies are high wages, high capital intensiveness, and more widespread use of state-of-the-art technology.

E. Unequal Exchange and Confidence Mechanisms as Analytic Tools
for Development Analysis

The implications of Peru's position on the periphery of the world-system and of various regions within Peru in the same position vis a vis its capital, Lima, and other urban centers will be chronicled and documented in the country review to follow. What must be addressed here is the generic predicament of peripheral states in trying to accumulate capital and invest in productive opportunities under the control of and for the benefit of its poor majorities and at the same time be part of the international flows of goods, capital, labor and ideas. For integral to the latter is not simply the disinclination of international corporations and banks to invest in opportunities for the poor majority to any significant degree but also a process of perpetual impoverishment that works against a Third World society's ability to retain a substantial portion of its surplus and use it to effect.

The core issue is the exchange relationship. Trade between societies at vastly different stages of modernization, wage levels, and technology is inherently disadvantageous to the less modern. A most gentle synthesis of a complex argument is that by Amin (1976:138-154). The theory of comparative advantage, inspired by a Renaissance era trade example does not correspond to twentieth century reality. Cumulative Western investment, aid, and advice, combined with export - led growth models, serve to enlarge trade and thus the advantages of the core societies. Trade is in large measure (but not entirely) composed of primary agricultural and mineral products in return for Western technology, machinery, food and finished products.

At each stage in the process price is controlled and determined less by supply and demand than by the political and economic strength of the various market actors and as well by differential wage levels. This is what is known as unequal exchange.

While the debate has barely begun about how to conceive of equal trade between entities of greatly different power, wealth, wage levels, and technologies, it is critical to understand this current process as the most elementary perpetuation of Third World poverty and internal inequities in almost every society the world over. Calls for a new international economic order look less like hyperbole from this perspective.

The international dynamics of the world-system give birth to, condition, sustain, and even recreate a series of processes within national boundaries that perpetuate poverty for the many and ever more efficient accumulation by the few. There are of course partial exceptions to this bleak assessment in specific regions or societies; this paper will try to weigh the Peruvian Revolution's efforts to so affect these processes. But the designers of international development intrusions, given reasonable agreement among serious development experts, must meet such blockages head-on.

English sociologist-theologian Charles Elliott presents these impoverishing processes (in 1975:11) in an elegant framework, calling them confidence mechanisms. Con-mechs have the following characteristics:

1. Individual enrichment.
2. Intra group competition for that enrichment.
3. Selective biases within that competition.
4. Selective biases that are not obvious to those who compete.
5. A system sufficiently "open" to retain competitors' confidence and/or bestow legitimacy on those who compete successfully.
6. Acquisition of direct and/or indirect benefit to those who control the mechanism.

Con-mechs in sum don't explain why the system evolves to a given form, but they do lay bare the psychological and social glue that keeps the system going. They permit the urban bureaucrat to place the new school near his own home, making it cheaper

and easier for his own children. They permit the rural money-lender to charge two or three hundred percent on short term loans so that the small farmer, as in western Sudan, produces two to three times what is necessary for adequate subsistence but lives at 60 to 80 percent of subsistence, dying in his 30's or 40's from accumulated ills brought on by long-term malnutrition. Three of his four children never make it to age five. But his labor helps make urban food cheaper and thus quell the political unrest of urban poor.

Developmental assistance efforts, if they are going to improve tangibly the lives of the poor majorities in Third World societies of the periphery, have, in sum, a deeply entrenched, multi-layer and multi-dimensional series of obstacles to oppose and overcome. The alternative analytic approach just sketched suggests that the task should begin by understanding where individual poor people fit in the prevailing mode of production and how and why specific confidence mechanisms work to keep them there. Resource and environmental limitations are naturally part of this mosaic. What emerges are varied patterns of accumulators and producers struggling unequally for control of the productive process, the surplus that accrues, and the overarching socio-political institutions which assist in that control. To affect these struggles AID's development designs must go beyond surface forms to the substantive processes, the multiple forms of local, national and international unequal exchanges. These designs must not gloss over surface harmony when the underlying reality is conflict, and they must not treat symptoms for causes. In an imperfect world where incremental change is often the only practical one, the human energy and resources devoted to the struggle for economic justice and human rights are obviously insufficient. But it is not utopian to try to use these limited resources to help the world's poor devise better ways to survive in the world-system.

It is toward that end and the concomitant intellectual needs of international development designers that the following analysis and critique of Peru's modernization efforts are intended.

II. The Contexts of Development in Peru

A. Environment, Regions, Productive Sectors, and Resulting Income Distribution

Peru sits on the west coast of South America and occupies 1.28 million km² which border Chile on the south, Bolivia and Brazil on the east, and Columbia and Ecaudor to the north. Peru's terrain challenges rapid advances, military, developmental or any other. It is one of the world's most varied and poses severe ecological limits for man in many regions. Nature has divided the territory into three regions along a north south axis. The Costa, or coast, runs intermittently from desert to irrigated agriculture the length of the country. The Sierra involves three ranges of the Andes which form a strip 100 to 300 km in width of valleys, plains and peaks averaging 2000 meter and above. The Selva includes the forested eastern slope of the Andes and the tropical lowland beyond; much of latter is little populated or explored jungle.

Geographical factors have harshly conditional settlement patterns and land use. The Coastal region has 10.6% of Peru or 135,950 km², by mid 1970's IBRD data, 650,000 hectares, or about 5%, was under cultivation. Some 43% of the population of 13.6 million (in the census year of 1972) live in this region including the 3.3 million (now more) in the primate city and capital Lima. The numbers seems to vary, but not much more than a further 150,000 hectares can be claimed or reclaimed from the desert without prohibitive cost (U.S. \$6,000/ha and up). Given that the coastal zone is now beginning to share much of the burden for feeding such a large urban population, very serious reconsideration of land use trade-offs is merited.

The Sierra occupies 30.6% or 393,950 km² of Peru. An even smaller percentage of the Sierra than of the Coast is under cultivation - about 3% or 1.5 to 1.7 million hectares. Some 61% or 24 million hectares is in theory suitable for grazing animals and being so used; but a closer look at the quality of Sierra grazing land (a 1969 ONERN study noted in IBRD, 1975bII:A-2,4) indicates that 50 to 60% of this area is actually too poor for any tangible use. This means that at least some of the Sierra is heavily overstocked. That presents a formidable additional obstacle to improving the human condition in the Sierra, which is already the poorest region and with prevailing economic organization badly supports the 47% of Peru's population (by the 1972 census) it now contains.

The Selva is the logical area for human expansion as it contains 58.8% (755,945 km²) of the territory but only about 10% of the population. Statistics on land use are probably poor; 600,000 hectares in use was one IBRD estimate, but slash and burn agriculture is much harder to quantify than the other activities involving coffee and fruit plantations. It is obvious that most of the land is extremely remote, if one's goal were linking up to the coast for export. About 300,000 hectares in the high Selva would be the likely initial target because much of the land in the low Selva gets too much rainfall. But, parenthetically, what if this frontier were envisaged as a series of relatively discrete regional settlement possibilities for people who just ignored the lures of the world-system? One could look at this land not as treasure of resources to be siphoned off, as the current oil development is so clearly doing, but as a place where economics could be run as if people mattered. Few countries in the world still have the luxury of such a possibility.

While the Selva has the vast territory, it is the Coastal region which has the preponderance of tangible wealth and breadth of economic activity. An overall

view of the structure of production in the Peruvian economy (adapted from Fitzgerald, 1976:12) can serve as useful preamble.

TABLE 1

	<u>% of GNP per Sector</u>		<u>Workforce (%)</u>	
	<u>1960</u>	<u>1972</u>	<u>1960</u>	<u>1972</u>
agriculture/fishing	22.4	14.0	52.3	45.9
mining	7.2	4.7	2.2	2.2
manufacturing	17.3	22.0	13.3	14.4
construction	4.2	3.9	3.2	4.2
government	7.8	8.2	5.3	7.3
other	41.0	47.3	23.7	26.0
totals (in 1963 prices)				
billion soles	64.2	95.4		
soles '000/head	20.3	24.3		
million workers			3.16	4.37

Agriculture provides statistically the largest employment component, but the disparity of results is considerable. On the coast the farming is capital intensive, essentially all on irrigated land lying in 36 of the 57 riverine valleys between stretches of desert. The high value export crops, cotton and sugar, are grown here, and the highest wages are paid on such export - oriented production units. On 681,000 hectares in 1971 crops valued at 13 billion soles were produced. In the same year the World Bank figures show that in the Sierra 1,293,000 hectares produced crops valued at 10.8 billion soles. In the Selva 5.7 billion soles of crops were produced on 557,000 hectares. Only 26% of the Sierra's arable land was irrigated and 5% of

the Selva's. My calculations show that Coastal farmers in 1971 thus made 19,086.6 soles per hectare, Sierra farmers 8,352.7, and Selva farmers 10,233. Extending such a portrait over time suggests tremendous regional disparities in wealth as well as striking differences between selling to the world market and selling to the local one.

Substantial further disparities are inherent because virtually all of the modern sector is concentrated in the Coastal Region. The fishing industry is there; 20,000 to 25,000 workers endure wide yearly variations in take. Much or most of manufacturing, construction, commerce and services are also there. Lima-Callao alone (in 1972) had 23-24% of the population and had the highest legal minimum wage in the country, 80 soles per day. At that time in nearly all other departments the minimum daily wage ranged from 40 to 60 soles a day in urban areas and 35 to 45 soles in rural areas (IBRD, 1975a:Table 9.2) where most Sierra and Selva residents live. The only significant groups of high salary workers in these areas are the 75-85,000 miners in the Sierra and the few more involved in oil exploration and pipeline activities in the Selva.

Estimates of income distribution in no country are very refined or accurate. Two different efforts by economist Richard Webb appear to be the most sophisticated now available for Peru. Calculations are based on the 1961 census. The conclusion of his 1977 work was that under Belaunde (1963-1968) and Velasco (1968-1975), despite redistributive professions and actions, most inequalities grew. Thus this table of personal income distribution (Webb, 1972, quoted in Fitzgerald 1976:16) understates current reality.

<u>proportion of workforce</u>	<u>share of income</u>	<u>income per person*</u> (US \$)
highest 5%	39%	\$ 1560
top 20%	65%	650
middle 40%	26%	130
lower 40%	9%	45

*applied to 1972 mean income per head

Breaking personal income down by region Webb found the following: Lima averaging \$716 per person (property income excluded), the rest of the Coast at \$463, and the Sierra at \$246. The ten richest provinces averaged \$570 and the ten poorest \$115. Nationwide the mean income by province in 1961 looked (Webb, 1977:17) like this:

mean income (US \$)	total	TABLE 3		
		Coast	PROVINCES Sierra	Selva
0-150	12	-	12	-
150-225	37	-	33	4
225-300	40	2	29	9
300-370	15	4	9	2
370-450	20	7	7	6
450-520	8	8	1	-
520+	11	8	2	1
TOTAL	143	28	93	22

Breakdowns in very great detail are provided by Webb (1977:105-147), but the overall picture is clear - one of gross distortions and inequalities, severe by regional as well as world standards. The simple distribution of people, resources, income and activities does not, however, give a human needs development designer any sense of how these conditions came to pass or who controls the processes maintaining such a course.

B. The Historical Context

It has often been observed by social scientists, journalists, politicians, and others that the study of history is not useful. Indeed the history that most people have been exposed to is not particularly useful; a narrative chronology of dynastic, military, or political ups and downs of various individual groups, parties or states will not help in the design of development activities to aid the poor majority. It was not until the 1960's and scholars like Barrington Moore, Harry Benda, and Eric Wolf that the poor even began to be recognized in history. But the historical evolution of modes of production would, on the contrary, be fundamental to understanding how the poor arrived at their predicament.

What seems appropriate to sketch briefly are the basic struggles over the control of resources and surpluses: man against nature, accumulators against producers accumulators in one mode of production against those in another, and finally accumulators among each other. Sifted into this must be the rise and fall of political and cultural communities, because understanding and overcoming the disdain, antipathy, and antagonisms between indigenes and mestizos is imperative to resolving development issues. Most useful to this analysis has been the 1975 Cornell Ph.D. dissertation by Patricia Wilson; Bollinger (1977), Pike (1977), Dobyns and Doughty (1976), Bourricaud (1970), Quijano (1971), and Mariategui (1971) should also be considered for multiple further perspectives and details.

The indigenous population of Peru developed unique human adaptations to the three regions' ecosystems over the course of at least 12,000 years occupation. Successive civilizations built upon the base of domestications of plants (potatoes in countless varieties, diploid cotton, quinoa, and Lima beans, to name a few) and animals (woolbearing llamas, guinea pigs, muscovy ducks), inventing sophisticated irrigation technologies and systems of economic exchange between and among regions.

The growth of the Inca empire in the fourteenth century consolidated a tributary mode of production. The Incas expanded from their base at Cuzco. They used military force, diplomacy, and indirect rule to reorganize the spatial and structural nature of production. The Inca aristocracy, bureaucracy, and priesthood developed effective political control, surplus, and administrative structure over a territory larger than that of contemporary Peru. The produce of communal lands from egalitarian village communities, often called ayllus, was expropriated for imperial storage and redistribution. Primary and secondary cities, roads, and stone paths were built to undergird a new, far grander and more expensive administration than any prior Peruvian state or empire. The result was a sierra based production system with a north-south axis managed from Cuzco.

The arrival of the European military and religious missionaries initially reoriented the tributary mode externally. The Europeans sought commodities suitable for appropriation, transport and profitable sale in Europe. Transshipment technology precluded the prior emphasis of tribute on storeable food as the focus of expropriation, and the native textiles--the emphasis of Inca manufacture, were disdained. Deposits of gold and silver, however, resulted in Peru's integration as a peripheral state into the European tributary system. The Spanish initially retained much of the Inca political organization, naming encomenderos to manage the local agricultural

units to ensure enough food surplus to feed the miners. The Spanish conscripted these miners into forced labor. The imperatives of political control from Spain and of shipping bullion safely back to Spain spurred the development of coastal cities as intermediary points; Lima as the capital gained increasing primacy from the sixteenth to eighteenth centuries. Sierra-Coastal roads improved. The flow of resources and people shifted from a north-south axis to a Sierra-Coastal, east-west axis; the orientation and dynamic was now externally focussed (Wilson, 1975:21-26).

By the eighteenth century the gold and silver began to run out, and the needs of Europe had grown to include basic agricultural commodities. In Peru this provoked basic changes in economic organization and the more direct incorporation of many Peruvians into the market operations of the world-system. The encomendero relationship gave way to the latifundio throughout the Sierra. The expansion in size and number of latifundios no longer depended upon obtaining royal grants but were rather arranged by increasingly autonomous municipal councils and by expropriations from local communities. The latifundists tied the workers to the land with debt peonage, enlarged the scale and specialization of operations, and sold through the growing interregional and international markets. The rural producers reacted several times with violence to the levies of latifundists but to no avail. The other accumulators in that era (and several succeeding ones until the late 1960's) found it most profitable to support the rural landholders. These urban interests - the merchants, moneylenders, middlemen, and bureaucrats - were ever more focussed on how to retain more of the surplus heading overseas to Spain and, increasingly, England. The declaration of independence in 1821 was a partial answer.

But independence did not alter the basic mode of production. Latifundio continued to imprison the economic potential of most; elements of racism, Spanish and mestizo disdain for Indians, and force kept the system intact. European needs encouraged new exports, guano and nitrates by mid-century and cotton and sugar after 1870. Urban elites, desirous of more surplus and the luxury imports it made possible, cooperated in and facilitated this expansion. Export enclaves and coastal plantations grew, and the east-west spatial formation and external focus remained. The development of the Amazon port at Iquitos after the rubber boom around 1910 provided the only encroachment on coastal dominance.

With the advent of the twentieth century U.S. investors began to replace British. The Cerro de Pasco Corporation arrived in 1902 and by the mid 60's was one of the three American corporations accounting for three fourths of all Peru's mineral exports. A Standard Oil subsidiary arrived in 1914. The Peruvian elite accumulators who had built railroads to reach the mineral deposit and then survived the military disaster and depression of the 1870's and 1880's, were now beset both by powerful international interests with their own set of motives and the first stirrings of local industrial interests with quite another. Peruvian history has been and remains a continual conflict and readjustment of these competing interests with the rural world perceived of myopically as simply the resource for cheap food and labor.

The overall pattern of this conflict, as synthesized by Bollinger (1977:44), is basic to understanding the apparent inconsistencies in current and future Peruvian nationalization and foreign investment policy. Foreign firms began from a base in export of minerals, sugar, cotton, and foods to seek out and enter the most highly profitable sectors that local entrepreneurs had developed. Superior foreign resources and technology ruined local capitalists. While the higher productivity and overall activity of foreign firms reduced prices and the rate of

profit, they also opened up new investment options for indigenous capital.

Thus it is common in Peru to find national capitalists using the state to defend themselves against foreign capital in one branch and simultaneously seeking to attract foreign capital in others.

The ripple out effects produce not only tertiary and service sector growth but new profitable activities that tempt foreign capital penetration in an opened process.

A fuller portrait of influences on the world-economy mode of production in this century would include not only the external events - world and cold wars, the Depression, and the International Monetary Fund - but also the beginning challenge by the historical losers, the workers and peasants, for another and more equitable redistribution of the surplus of what has been essentially their labor. Challenges from below in the nineteenth century had brought an end to slavery and slowed the worst forms of rural encroachment and exploitation. Mechanization of agriculture and mining produced a steady stream of urban migrants. The first labor unions and the struggle for an eight hour day was launched in 1905. Intermittent strikes followed.

The producers struggle for some control over the systemic mode of production entered the political arena through the voices of Jose Mariategui and Victor Haya de la Torre in the 1920's and the political party APRA in 1931. But the initial and succeeding generation of leaders can be far more fairly described as middle class. Haya de la Torre made several bids for the presidency on a platform of unity of interests among groups inherently in conflict. When faced with actual revolutionary violence from workers, up against repression and unemployment in 1932, (Villaneuva, 1977:69-70), he abandoned the mass base of his party. Decades of vacillation and corruption followed. APRA effectively preempted and diffused enough of the political energies of peasants and workers so that the remainder

were too weak and fragmented to mount a successful effort to alter significantly the structure or rewards of production. The current military leadership has learned this historical lesson well.

The brief historical synthesis was designed to demonstrate an elementary point rarely apparent in current development theory and practice. Since at least the formation of world empires, if not before, economic systems have been designed and operated by and for the few. It is illogical to proceed with a strategy to meet the human rights of the poor majority by ignoring the historical reality that the world system is basically the problem not the solution.

C. The Major Accumulators in Contemporary Peru

If such is the case, then it becomes important to the design of human needs development to know the full range and abilities of accumulators in the economy in question. That presents severe problems of method and language. Is it most useful to lump all foreign actors together when they almost certainly have mutually conflicting interests? Are familiar terms like class or bourgeoisie the most precise or analytically helpful? In the current period of theoretical transition and confusion, the reader will hopefully forgive the writer if he retreats as much as possible from the rhetoric and polemics into something in a functional gray.

The most detailed analyses I found of the role of foreign capital in the structure (and thus in decision making and profit) of the Peruvian economy was that of Wilson, 1975. Her best data reflects the situation in 1968 before nationalizations affected certain sectors. This portrait is most indicative of the real nature of a peripheral economy and its motivating impulses in the world system; when the limits of nationalization are outlined, the outdated elements will seem less crucial.

Peru's major exports are mineral, sugar, cotton, coffee and fish products. In the mid 1960's Cerro de Pasco, American Smelting, and Marcona held about 75% of the

mineral exports. Marcona controlled almost all the cotton export. Of the ten major sugar mills six were also American. These corporations spread into manufacturing in the 1950's and 1960's; three of six major consortia in the sector were foreign, two being Cerro and Grace (the American sugar giant). By 1968 Wilson (1975:74) found 70% of all manufacturing shares were held by foreign capital; a quantification of ownership of just the large firms (Wilson, 1975:76) in 1968 is only slightly less striking. Of 79 firms, foreigners held 41 and a share of 11 others. These 79 firms held 54% of all fixed assets in manufacturing; foreigners had 29.8% and shared 6.1% more. Of total gross production in manufacturing these firms represented just under 50% of Peru's total with foreigners 33% of that total. The military governments since 1968 have cut foreign ownership in many sectors and readjusted the division of visible capital flows to a less extent.

Despite wide areas of ignorance and a methodological vacuum among analysts at both the core and periphery, it is critical that AID's overall development designs, if they are to aid the poor majority, seek to understand less visible processes of periphery impoverishment inherent in the activities of foreign capital. Indeed AID must try to assist in overcoming such areas of naivete and functional incompetence (diligent or actual) in Third World governments. Naturally this is counter to short term interests of many U.S. multinationals and thus politically very hard within the American foreign policy system. While AID's human rights mandate should also involve it in issues like expropriation, destabilization, and debt entrapment, it is the much more permanently debilitatory underlying processes which undercut even the best intentioned and most socially responsible governments.

The issue is unequal exchange. Only a few of the mechanisms are at all visible. Attempts at overall quantification are still out of the question. Constantine Vaitsos (1974), with enormous aid from sponsoring Andean governments, made a small beginning

at outlining the magnitudes lost to host nations by four methods of profit remission. Some are partially revealed in IMF balance of payments data. But transfer pricing for example, is an internal company manoeuver which will appear on only some of the (at least five different sets of) books where the tax advantage looks best. On some 90 imported drugs the average overpricing in 1968 for neighboring Columbia (Vaitsos, 1974:158-167) was, by my calculation, just over 500% with a high of 6,478%. On extended samples of electronic products and chemicals, the average overpricing seemed markedly less. But by any coherent standard enormous value is being lost by the periphery society.

Under the guidance of ECLA economists and others Peru has sought to diminish some obvious points of value leakage. Desire to refine one's own copper is not empty nationalism, for example. Unrefined copper contains many rarer byproducts like gold, silver, and molybdenum. Customs officials can scarcely estimate the proper value of unrefined ore, and the refiner in the importing core society profits. Thus part of Peru's mid 70's expansion is to build refineries. But even nationalized mines depend on many imported elements of production. There are still actual or potential losses in the double invoicing of imports or exports, in technology fees, in the accounting of depreciation charges and depletion allowances and much else as Brundenius (1972:200-203) noted.

Indeed there is reason to fear that the rhetoric of state inspired rebalancing is not matched by the substance. In a more historical review (Ballantyne, 1976:59-61) it was recently concluded that from 1950 to 1965 the government exercised little if any practical control over the mining corporations which were left to their own imagination to interpret the rules governing them. Peruvian government policy in the 1970's is described by Wilson (1975:209-10) and Hunt (in ed. Lowenthal, 1975: 302-349) as driving a harder bargain. General Baca's 1973 description of the

"Peruvian Model" is quoted by Wilson at length. To this reader there seem to be fewer rules but still substantial loopholes such as those noted above. Thirty five years of laissez faire may not leave much inheritance; who defines the "half of the area explored" that the companies were supposedly limited to? Why did foreign oil firms rush to sign 17 such contracts between 1970 and March 1973 if terms were so disadvantageous?

As one mandated to be interested in meeting the human needs of a poor majority, AID should be integrally concerned with how society's finite resources are used to the maximum advantage. Allowing foreigners to carry them away might be justified if the returns were responsibly invested. But at what price? The brief sketch above suggests that, in the present period of massive and minimally checked economic power of the core societies and their international accumulators, it won't be as advantageous as the ideologists of export-led growth constantly proclaim. This is one of several elements that will be marshalled to suggest that alternative might be sought.

Foreign accumulators are not, by any means, the only ones in the Peruvian economy. Several kinds of national and local (as described on page one) elements work, each to their own advantage, in shifting alliances. Some cooperate consistently with foreign capital and some do not. The historical pattern, which has suffered multiple disruptions in the last decade, was classically described by Quijano (1971:50-51) as consisting of four groups: 1) wealthy landholders on the coast involved in exporting; 2) landholders in the Sierra whose base of activity was agriculture and cattle; 3) wealthy industrialists wholly tied to foreign investment; and 4) a middle level of industrialists whose lesser resources were applied to Peruvian markets. Out from these core groups were geographically and economically peripheral actors who were mobilizing and accumulating surplus labor, food, and other commodities for the larger urban and international markets.

The landed oligarchy of the Sierra were in the weakest position by the 1960's, having been increasingly under attack far more than a century. The latifundia system and use of coerced labor was both visibly inhumane and comparatively unproductive. Coastal agricultural efforts, aided by export crops, showed more profit. The weakness of the former and the foreign ownership of the latter contributed to the magnitude of land reforms carried out in the last decade.

The major Peruvian accumulators, as described before, played subsidiary and assistant roles to foreign capital in the 1950's and 1960's. Wilson (1975:77-8) chronicles these moves into agricultural processing, cotton byproducts, mining inputs, fish meal products, construction materials, and printing companies. But their fusion with foreign capital remained strong, and over the last decade they have naturally opposed state intervention and monetary policies constricting their freedom or profit.

Peruvian entrepreneurs began during the Depression and in larger numbers since World War II to fill local market needs. They had and still have two substantial reasons to support the nationalist reform efforts of the military. Foreign investors frequently posed direct competition difficult to overcome. As Wilson (1975:79) notes as well, military measures to promote agrarian reform, improve income distribution, and generally promote a more nationalist economic policy all served to enlarge the market of this group of accumulators.

Below these major groups of accumulators lie numbers of Peruvians in the state bureaucracy and in small scale commercial and industrial activity whose wealth and power are more than the indigent, protein deficient, illiterate mass of urban and rural citizens who are the development targets described in detail in Part II. It is worth noting, as part of a possible overall development solution, that there are hundreds of thousands of small scale economic actors operating largely outside the regulation of the State. Roberts (in Cornelius and Trueblood, 1975:77-106) provides

detail on those in the Mantaro area of central Sierra. His thesis is that the state cannot organize this level of activity and is but an irritant to local development. The other side of freedom, however, is responsibility; market forces mitigate to some extent the monopoly element of the predominant personal and kin organizational factor, but the prevalence of unrecorded exchanges and the political limits of the state mean no significant tax collection. Are the poor majority best served by such largely untrammelled economic activities?

What is most striking about the last decade of government intervention in the economy is not the increasing role of the state as an accumulator but how little that process has changed the underlying mode of production or the role of most (but not all) groups therein. Land reform did effectively destroy the landed oligarchy, pushing them to alternative economic pursuits and raising the political and economic welfare of members of the new cooperatives. Foreign corporations relinquished or were ousted from direct ownership in several sectors. But as the steady growth of foreign investment and lending since 1970 indicates, international accumulators remain still the senior partner providing the form and coercion to perpetuate the processes that skew the income, or as the literature commonly calls it, dependency. This is a harsh judgment by conventional standards; parts D and E of this section will show the basis for it.

The government's policy in opposition to dependency has been to seek ownership and control of those sectoral elements which formed the traditional base for modern industrialization. It has found it possible to inherit the less profitable sectors and operations from (too) loudly protesting multinationals. It survived a U.S. government economic blockade between 1968 and 1971, by classically conservative measures and won international confidence in a new detente. Wilson (1975:213) has summarized the situation as of the mid 1970's and the considerable variety of owner-

ship forms that resulted from these struggles as the Peruvians claimed a path that was "neither capitalist or communist."

TABLE 4

<u>type of enterprise</u>	<u>sectors in which predominant</u>	<u>other sectors</u>
1. State	Fishing, Oil, Finance, Exports, Electricity	Mining, Manufacturing
2. Private (national +) mixed national/foreign	Internal trade and commerce, Artesan (non-factory) manufacturing	Agriculture, Finance
3. Privatized Reformed (national and mixed national/foreign)	Manufacturing	Mining
4. Mixed (State-foreign)	_____	Manufacturing, Fishing, Mining
5. Cooperative	Agriculture	_____
6. Foreign	Mining	Oil, Finance
7. Social Property (worker owned)	_____	_____

The last two years have witnessed some swings toward the privatization of some sectors. The fishing fleet was denationalized in 1976 and other pressures grow (Latin American Economic Report, September 30, 1976:156). Social property projects were essentially mothballed; what has been envisioned as a \$1.3 billion state investment in 454 projects and 200,000 new jobs was squashed by both private sector and bureaucratic interests (LAER, January 7, 1977:4). A three year rise (1973-1975) in overall deficits from state enterprises also must have hurt the chances for the realization of social property enterprises. This fundamental policy initiative of the Velasco years, calling for worker controlled firms to become the dominant element in the Peruvian economy, appears most unlikely to be realized under a Bermudez government.

The real question, ultimately, is not the form for ownership but who benefits. The government has assumed a larger share but it espouses the profit criteria as openly as do the foreign accumulators. The military and other bureaucratic interests have served themselves well. But to design a human rights policy for the poor majority, who are not on the government payroll, one needs to look deeply at both rhetoric and reality - where the money goes.

D. Government Philosophy and Practice

Efforts to characterize the Peruvian government's overall political philosophy, based predominantly on research of Phase I - 1968-1976, are too numerous to go into significant detail. For Fitzgerald (1976:97-9) it is an intermediate regime. Quijano (1971:115) concludes with two themes: a regime guided by limited nationalism within the world-system and as well by an ideology of reconciliation of accumulators and producers but within the prevailing mode. The words corporatist, clientalism, and authoritarian are frequently applied (as in ed. Chaplin, 1975 and ed. Malloy, 1977). Marxist analysts focus on a fierce class contest as the national industrial bourgeoisie struggle to survive a growing economic crisis by means of repression on the one hand and ever greater capitulation to international capital on the other (Dore and Weeks, 1977). I rather like Lowenthal's (1975:1-43) term ambiguous, not because the varied institutional forms make the underlying mode of production unclear but because the multiple factions and their philosophic statements do represent a very fluid and transitional governing philosophy.

This situation and the overall macroeconomic crisis addressed in Part E both make premature any definitive conclusions about bureaucratic centralism, corporatism, or liberalism (a recent typology of Cleaves and Scurrah, 1976a) or any other tendency. Given the possibility that elections will be held, an analysis useful

for AID's strategy for the 1980's in Peru does not even need too deep an investigation of the development of a progressive military in the 1950's and 1960's. A 1976 dissertation by James Osberg (of S. Illinois University) provides the greatest detail of this brewing of "anti-communism" and "humanism" into a policy of conflict avoidance and preemptive reform under the motto "no defense without development."

The Army's high level training school CAEM was the crucible from which came the major policy leaders of Phase I of the Revolutionary Government after 1968. The military is not, however, a democratic or participatory sub-culture; yet it claimed it was going to liberate people to participate in a new and just society. This was and remains a fundamental and unresolved philosophic contradiction at the root of Peru's problems. As descriptions to come of diverse reform efforts show, the government's efforts are frequently seen from below as elitist, patronizing and ethnocentric. People are not people but threats, problems or resources. Two sociologists (Van den Berghe and Primov, 1977:264) put one slice of this mentality this way: "the Indians are still seen principally as an obstacle to national development who should obligingly vanish and become a rural proletariat, a vast labor pool for the Ministry of Agriculture. "As the experience of Tanzania has also shown, it is very hard to translate top government policy into operational mid level reality.

While disdain of minority or indigenous cultural groups is not uncommon on a world wide basis, it serves as useful preamble to an extended account of the Revolutionary Government's stated national development philosophy and policy. The primary statement of the Velasco-led Phase I was the 1974 Plan Inca. Plan Inca was disclosed in President Velasco's Message to the Nation that year;

these extracts (from Wilson, 1975:195-7) lay the groundwork for many things but certainly as well for AID dialogues and projects centering on basic needs of Peru's poor.

The Revolution of the Armed Forces will carry out a process of economic, social, political, and cultural structural transformation with the goal of achieving a new society in which Peruvian men and women can live with liberty and justice.

This Revolution will be nationalist, independent, and humanist. It will not obey any foreign dogmas. It will only respond to the Peruvian reality. ...

Objectives:

1. All the stages of petroleum activity will be exclusively under state control.
2. Integral and permanent state planning, with compulsory powers over the public sector and orienting powers over the private sector.
3. Nationalist and independent foreign policy, based on the firm and active defense of the national sovereignty and dignity.
4. Transformation of the agrarian structure into a just and efficient system based on the principle, "the land belongs to the one who works it." (Includes immediate expropriation of the agro-industrial complexes of the coast, and their transformation into cooperatives.)
5. Worker participation in the management, profits, and ownership of businesses.
6. Permanent and self-sustained industrial development that contributes to the effective economic independence and socioeconomic development of Peru. (Includes assuring the active participation of the State as dynamic agent of industrial development, reserving it the exclusive operation of basic industries.)
7. Maximum development of mineral potential, putting it at the service of the country through the predomination of the State in mining.
8. Development of the country's hydrobiological (fish) resources to the maximum compatible with their preservation, reserving for the State the activities of extraction, large-scale processing, and foreign marketing of the fish products.
9. The State will be in exclusive charge of the generation, transformation, transmission, distribution, and marketing of electricity, in order to satisfy the needs of the people and the economic development of the country.

10. A system of trade and commerce in which the State will control the export of important products, limit imports to goods that are indispensable for the people and the country's development, promote the diversification of exports, and reduce the number of commercial intermediaries.
11. A transport system that contributes effectively to the socio-economic development of the country, national integration, and national defense.
12. Develop the system of communications under state control.
13. A public finance structure that assures the maximum capture of financial resources.
14. Credit institutions exclusively under state control.
15. Maintain the national debt at a prudent level in function of the growth of the national product.
16. Scientific and technological research to promote our development and reduce foreign dependency.
17. An education system that is accessible to all and is oriented toward practical training as the new Peruvian society requires.
18. Housing: eliminate urban land speculation; raise the image of the marginal neighborhoods and give them essential services; orient housing credit exclusively toward low-cost housing.
19. Make medical attention accessible to the whole population; require obligatory rural medical service of recently graduated doctors and aides.
20. Just labor relations that make the dignity, security, and well being of the worker compatible with the efficiency of the work place and the socio-economic development of the country; efficient social security for all; regulation of the exercise of the right to strike, so that the interests of neither the worker nor the country are jeopardized.
21. Effective equality between man and woman in rights and obligations.
22. An authentically free press, controlled by organizations representative of the new society.
23. Active and free participation of all the men and women in the activities that national development require, without influence from imported ideologies.
24. Rationalize and modernize public administration for better government action and more effective service to the society; sectorialize the activities of the State in a planned and progressive manner.
25. An autonomous judicial power that assures the equal application of the law to all.
26. The Armed Forces, as agent and principal support of the Peruvian Revolution, will conduct the process of change until these changes are irreversible.

(Velasco: 1974, extracts)

Principal changes ushering in Phase II of the Revolution were contained in late 1976 and 1977 speeches by President Bermudez and by the February 1977 Plan Tupac Amaru. This plan abandoned the social property concept and more explicitly encouraged local and foreign investment (LAI, February 11, 1977:46). Other basic changes in Phase II include the reformulation of point 4; land belongs now to those who work it and make it produce. Contrary to point 8, the State has denationalized significant elements of those sectors listed. Contrary to point 17 the educational reform of the early 1970's has been largely destroyed and the new textbooks abandoned. Contrary to point 20 all strikes are now illegal; they continue anyway. Finally, contrary to point 22 the press is now directly under state control with reporters being harassed, fired, and even exiled. In sum Phase II marks significant counterrevolutionary steps, publicly termed policy corrections, amidst continuing revolutionary rhetoric.

This does not, however, entirely diminish the utility of Plan Inca for AID's understanding of how to proceed with development activities. Therefore it is important to see clearly the philosophical and practical limits of the Revolution at its height. There are, in truth, a number of self apparent contradictions in this catalog. The initial humanist vision gives way immediately to a focus on material resources and organization. The state, however defined, would design, organize, and control the ramparts of the economy; how could that, per se, promote "active and free participation" rather than the shell of participation. What comparable force in society would act to balance the preponderant role of the state and insure its realization of such socially responsible goals? How could the state pursue the same mode of production and links with the world system (despite a redivision of the spoils) and create a participatory society when the

core nature of the mode of production at each level favor the few over the many and the core over the periphery.

What the Peruvians, like most other people including the Americans, seem yet to realize is that a humanist vision cannot move beyond rhetoric if any bloc of power - social, political, or economic - in the society does not have comparably strong checks and balances. A provocative new discussion of this thesis is Politics and Markets by Charles Lindblom, Sterling Professor of Politics and Economics at Yale. Such philosophic understanding must become more central to every AID development design. At the same time the historical record must be made very clear. What Peru has done with budgetary, tax, and investment choices in the last decade is the most critical indication of present and future political will to actualize rhetorical humanist goals.

A meaningful tabulation of Peruvian government outlays is very difficult to assess. The values of currencies have shifted appreciably and a straight line presentation, the normal one in international financial statistical tables, is in several ways misleading. Admitting much possibility of error, I offer these figures (from IMF, 1976 and 1977 sources) and some notion of what they imply for the development process.

TABLE 5

Peruvian Government Expenditure

(billions of soles, current prices)

	1970	1971	1972	1973	1974	1975	EST. 1976	PROJ. 1977
Goods and Services	24.21	27.39	31.52	37.71	44.83	63.26	87.47	128.00
Wages & Salaries	13.82	16.20	18.62	21.53	24.06	32.46	42.21	55.10
Other	2.70	2.69	3.40	3.12	5.16	5.34	6.36	7.70
Military Outlay	7.69	8.50	9.50	13.06	15.61	25.46	38.90	65.20
Interest Payments	2.35	3.11	4.27	5.93	7.70	9.42	13.62	25.50
Domestic	1	1.24	2.54	3.48	4.46	4.47	5.76	-
Foreign	1.35	1.88	1.73	2.45	3.23	4.96	7.87	-
Subsidies & Transfers	6.56	6.51	6.54	8.86	9.93	17.83	21.32	27.10
to Public Sector	2.93	2.76	2.02	3.83	4.21	10.43	10.43	-
to Households	3.54	3.69	4.43	4.91	5.59	7.26	10.80	-
abroad	.09	.07	.09	.12	.14	.14	.08	-
total bil soles	33.12	37.02	42.33	52.50	62.44	90.51	122.41	180.60
total mil US \$	856	957	1,094	1,357	1,613	2,011	1,764	2,022
av. soles/\$	38.7	38.7	38.7	38.7	38.7	45	69.4	89.3

(some totals may not add, due to rounding off)

It is not possible to speculate casually on the fall of percentage outlays from 41.7% to 33.5% for wages and salaries. Raw figures on personnel could not be obtained. The definitions of employment changed as the military created its own organizations to go around unsympathetic bureaucrats whose salaries were frozen in a largely unsuccessful effort to force their retirement. Many new people were hired on limited term, renewable contracts in order to insure their compliance. It is not clear how any of this was accounted.

What is more central to questions of development are the growing budgetary drains caused by debt service and the military. As Table 5 shows, foreign interest payments were 4.1% of 1970 expenditures; in 1977 they were about 10 to 12%. There is great likelihood that actual payments were much higher and were handed through channels other than the budget. AID must investigate this; both the Peruvian left and right claim, for example, that large clandestine payments were made above announced compensations to multinational firms. But far and away the most debilitating element of the budgetary situation is the military; in 1970 it was 23% of the total and in 1977 it rose to about 36%. Clearly the military has no effective check or balance within the budget process. No society serious about human concerns and needs can afford such a waste; why is there no policy in bilateral and multilateral economic contacts precluding or cutting aid for such a demonstration of priorities? AID should advocate this.

The government subsidy to the public sector has declined a trifle from 1970 to 1976, hovering between 8 1/2% and 9%. One could be saddened that government run businesses do not in sum run at a profit; or one could be gladdened that the continued accretion of government holdings has not raised the deficit. Given the various world and local economic dislocations over which the government had no

control and given the low productivity of some state sectors, the record of this transition period is probably not bad.

A government's priorities are also revealed by the nature of investment and tax policies. IBRD economist Richard Webb has studied Peruvian tax trends. For the period 1960-1971 he concluded (1975:236) that "government policies have on the whole reinforced urban-rural inequality in Peru." In his major work he argued (1977:45-6) that the tax system showed a significant degree of progression; but he did not show how important this was in the total resource or value transfer between regions or sectors. The use of the tax system as a redistributive mechanism has been stymied by the opposition of a salaried middle class, the most heavily directly taxed group (Webb, 1977:59).

It is in investment that the nonrevolutionary character of the Peruvian government is most clear. In the last decade it has, despite occasional exceptions, clearly pursued the goal of expanding the productivity of capital-intensive export sectors over the goal of creating a decentralized, participatory, and just economy - the model supported by AID's New Directions policy mandate. Indeed the two goals are in theory and practice contradictory as a regional analysis of the 1971-1974 investment makes strikingly clear (Wilson, 1975:259-274).

During this period the Selva received the highest per capita investment. The six largest Selva projects were related to oil development. They built minimal links to the surrounding economy as inputs, the product, and most of the highly paid workers were not native, nor did they stay in the Selva. Even if all the 8,000 jobs had been filled from the region, such a figure is not related to the real employment needs of a population of about 1.4 million. Little of the surplus accruing from the oil production returns to the region. But the petro-

leum worker's salary level generated enormous local inflation which endured. The location of the refineries on the Coast further diminished any significant long term residual wealth. In sum just another small enclave of the extractive operation was erected. The government is also building Selva-Coastal roads to raise interregional agricultural trade. Without data one can only speculate that a Sierra-centered cost benefit analysis incorporating unequal exchange would make this also a dubious prospect for the optimal enrichment of the majority.

The southern region of the Sierra and Coast received the next highest per-capita outlay of investment. The Coast with 28% of the Peruvian population was allocated 62% of the funds; 83% of these went into large-scale mining and agriculture schemes. In the southern Sierra about half the investment went to similar ends. In both areas capital intensive activities are producing comparatively few jobs and exporting the natural resources from the region. Building a refinery helps government revenue and control but does not generate high employment. The picture is little different in the northern region where 85% or more of 1971-4 outlays went to industrialized export agriculture on the coast. The financially ill-conceived nature of recent industrial investment is chronicled in Part E; the total is awesome and highly concentrated, while, for example, Peru's most densely populated rural district got 315 soles/per person (versus a s/4,330 per capita overall northern region average), and much of that went to implementing the land reform (Wilson, 272-3). The Central Region was no better apportioned; the bulk of its funds went to hydroelectric plant that serves Lima.

The investment in Lima-Callao is more complex to assess. It seems at first glance the least on a per capita basis; but the total becomes the highest by adding the local government investment and the power complexes that serve Lima.

Many of the 1971-4 funds went to infrastructure that would aid private manufacturing. Significant also were social sector investments with both humanitarian and political motives; investment in housing and health four times the national average and in public construction twice that average must be construed as essentially political.

Further research by AID should seek out any changes in overall government investment patterns between 1975 and the present. But on the basis of this evidence the Peruvian government, guided abetted, encouraged, and prodded by the international banks and corporations and by the multilateral institutions, is still pursuing the basic production (as opposed to people), centered pattern of growth common in the 1950's and 1960's. This reality poses a practical and political challenge to AID given its mandate to assist the poor majority. The obvious contradictions have been wrestled with unsuccessfully in both the U.S. Executive and Legislature for more than four years. The new draft foreign aid bill continues the intellectual morass calling for both development models at the same time. AID's Bureau for Latin America has been a victim of this mission impossible, a reality more deeply analyzed in Section III.

E. The Macroeconomic Crisis

1. Basic Peruvian Assumptions

Development is difficult in any circumstances. In the present milieu a vast part of the government's energy is spent in warding off international bankruptcy and the political unrest at home which are the unsurprising results of the capital intensive, outwardly focussed development model carried sufficiently far. For the stability and health of this model depend upon variables beyond the government's control. Over a period of years all of the variables cannot reasonably be expected to operate within proposed limits of tolerance. Specifically Peru's government has

based the welfare of most of its citizens on the following set of assumptions:

- Peru will be able to borrow regularly in escalating amounts.
- Multiple export commodities will continue to receive high and predictable returns.
- Technology will overcome problems at affordable prices. The environment will not alter or disintegrate.
- Human beings will act with integrity, technical competence and social responsibility.

As 1978 begins nearly every assumption has gone awry.

2. Debts and the Trade Factor

The worst element in the current situation, from the viewpoint of system's maintenance, is the debt burden and Peru's repayment obligations due in the next several years. Recently published figures (Asheshov, 1977:183) are little different from IMF ones: for 1978 official debt service will be in the \$975-1,000 million range; for 1979 it will be about \$1.2 billion; for 1980 it will be about \$1.5 billion. Estimates of debt service ratio range around 50% and above, conventionally considered to be far above tolerable levels. Reserves are currently negative in the neighborhood of \$1 billion. Raising prices or taxes at home will bring even more political unrest. Defaulting will bring international financial opprobrium, tightened or terminated short term and long term credit lines, economic paralysis in many sectors dependent on imports, and a situation of similar instability and potential repression. In sum Peru seems poised to be forced or led into the Chilean model, a profoundly antihuman pattern representing the antithesis of New Directions development policy. A look into the genesis of this situation will shed much necessary light on the symptoms visible today and on the parameters of possible futures for AID's efforts in Peru in the 1980's.

The first crack in the macroeconomic edifice of Peru came in the early 1970's in that paragon of export led growth the fishmeal sector. From 1955 to 1967 Peru's production rose from 20,100 metric tons to 1.816 million, from 1.6% to 39.5% of the world total; of the world's fishmeal export market that meant a jump from 4.5% to 54.3% (Roemer, 1970:78). In Peru's export profile fishmeal and related products reached U.S. \$347 million in 1970 or 33% of total exports; it was 37% in 1971 and 28% in 1972. The IBRD projected in mid-decade that it would still be 20% of Peru's export total in 1980. But the World Bank analysts did not read Scientific American. In June 1973 C.P. Idyll published there an ecological analysis, "The Anchovy Crisis" which looked beyond the surface crisis of the periodic sea change, El Niño, that had drastically cut the 1973 fish haul.

Idyll pointed to the multiple delicate ecological balances that man and the guano birds were intruding upon. Harvesting reached unprecedented levels in the 1960's and rose to 12.3 million tons in 1970 - beyond biologically acceptable limits. Exacerbated by, but apparently predating fluctuations in El Niño, two conditions were in evidence by mid 1973 that bode ill for the future (Idyll, 1973:28).

First, the size of the "standing stock" (the total anchovy population) now appears to be far smaller than normal. It may be as low as one or two million metric tons, compared with an average of 15 million tons in recent years and an estimated 20 million tons in 1971. Second, "recruitment" (the number of fish grown big enough to enter the commercial fishery in any year) has been by far the smallest ever observed. It is scarcely 13% of the recruitment in a normal year.

The state nationalized the industry in 1973 but was unable to increase production or profitability. Part of the problem was inflated compensation being paid to largely U.S. owners of the fleet and the processing plants, owners who had built up the industry for a quick killing in the 1960's. Drastic cuts in the wage force were met by growing labor union militancy. The state declared a state of emergency

in March 1976, met work stoppages with arrests and firings, and finally started selling the industry back to private owners in August, 1976 (Molinari, 1977). Reports during 1977 suggested that this human depredation of the ecosystem is intolerable even at 30 to 40% of 1970-1 highs; by November (Andean Report:205) there were recommendations of bans for six months to two years, pending studies

Thus in just one key element of the export sector, several of the basic assumptions that held for a fifteen year period of growth disintegrated in the next five. In the middle of the 1970's the international oil crisis and the collapse of world copper prices together wreaked havoc in Peru as it did in Zai Zambia, and Chile. Severe trade deficits resulted on the order of magnitude laid out in Table 6 (from IMF sources).

TABLE 6
EXPORTS AND IMPORTS

mil US \$ current	1973	1974	1975	1976	EST. 1977	PROJ. 1978
EXPORTS						
Fish Products	157.1	261.4	208.1	200.7	245	289.4
Cotton	63.3	96.5	53	70.9	57.3	70.4
Sugar	78.1	193.6	269.1	91.2	85.3	92.9
Wool	11.8	7.1	11.4	18.7	23.8	26.6
Coffee	63.6	34.8	53.2	101	204.4	155.7
Copper	325	301	155.7	227	389	458.9
Silver	79.3	140.9	146.3	145.1	175.6	189
Other Minerals	212	282.9	245.3	318.6	358.5	422.8
Petroleum, Etc.	19.6	28.2	43.6	53.3	43	94.3
Other	102	156.5	105.2	133	200	250
TOTAL	1111.8	1503.3	1290.9	1359.5	1782	2050
IMPORTS						
Capital Goods	328.7	610.9	781	675	546	585
Fuels & Lubricants	73	187.1	265	261	219	37
Food Imports	155	240.3	286	189	153	177
Other Private Sec.	538.3	870.6	1058	683	689	768
Other Public Sector				292	543	433
TOTAL	1095	1908.9	2390	2100	2150	2000
BALANCE	15.8	-400.6	-1099.1	-740.5	-368	+50

Leaving aside for the moment the validity of the 1978 projections, it is apparent that Peru, despite its unusual breath of export commodities, could not at all gracefully withstand the multiplicity of dislocations apparent in these statistics. Considerable belt tightening, felt most acutely at the local level, was combined with massive borrowing which, as in most Third World countries, is difficult to assess accurately.

Partial knowledge, however, is better than most - even with the current disturbing disparities between IMF and IBRD figures. The World Bank revised its external public debt figures for Peru on October 26, 1977 in their World Debt Table series. These numbers show publicly guaranteed debts of one year or longer but not short term rollovers. Nor do they accurately reflect increments of new private foreign investment and the additional strains on resources these imply.

TABLE 7

PERU	EXTERNAL PUBLIC DEBT (AMOUNTS IN MILLIONS US \$)				10/26/77	REVISED
	1971	1972	1973	1974	1975	1976
1 TOTAL OUTST INCL UNDISB	1309.4	1608.9	2156.8	3011.0	3467.9	4383.6
2 PRIVATE CREDITORS	725.3	873.1	1290.4	1719.4	2087.4	2584.9
3 SUPPLIERS	377.9	408.3	609.8	477.2	427.9	449.4
4 PRIVATE FINANCIAL INST	330.6	451.1	671.0	1235.6	1657.3	2133.6
5 MULTILATERAL	208.0	195.4	240.9	250.4	306.8	546.2
6 IFSD	176.0	168.3	207.8	225.0	216.0	380.7
7 IDA						
8 BILATERAL OFFICIAL	376.1	539.0	625.4	1011.2	1073.5	1252.4
9 TOTAL OUTSTY DISBURSED ONLY	962.7	1109.2	1481.7	2072.8	2663.9	3379.3

Only a slightly more up to date picture is possible at this writing. IMF sources in late 1977 noted an additional \$652 million of new loans in the first half of the year and \$93 million more between July 1 and September 9. One can thus estimate a total debt just over \$5 billion with 2/3 to 3/4 of it disbursed. Very

likely most of this undisbursed is incorporated into committed long term development projects and should not be considered as free to help meet 1978 debt repayments.

3. Troubled Industries and Investments

Incomplete understanding of the impact of private foreign investment on the overall economic and development situation does not mean it can be ignored. What is strikingly apparent is a series of capital intensive, ill designed and improperly researched industrial complexes encountering one ecological, technological, or financial disaster after another. Some substantial sum of resources is being wasted and lost in this fashion; appropriate Peruvian and international analysts must work far harder and more politically effectively to counteract this trend. It is not; in other words, an isolated aberration that Peru built an \$800 million dollar pipeline across the Andes to accommodate a magnitude and quality of oil that did not exist. From just the last few months of the Andean Report (May, 1977-January, 1978) one is left with the impression that at least \$4 to \$6 million in various investments are in serious trouble of some sort and are not at all likely to bear soon the expected fruit. A few examples are in order.

Petroperu has far more problems than just insufficient yields. A report in July 1977 indicated that the new wells coming into production were providing petroleum with a salt content up to 700 lbs. per 1000 bbl. which was far beyond the abilities of the dehydration/desalting units installed to deal with a level of 250 lbs. of salt per 1000 bbl. Installation of twice as many new desalting units is indicated which will raise the total cost of the pipeline even more. Overall assessments in October and November were optimistic of new discoveries and production increases after 6 years and a total \$1.5 billion investment. At some point in the next two years Peru may become essentially self-sufficient in petro-

leum products but also hostage to the security of a pipeline traveling through the two poorest regions to bring further wealth to the richest one. It is a very poor long term gamble.

Peru plans to continue expanding copper production from its current level of about 375,000 tons per year to about 900,000 tons by 1982. The chronicle of the recent past is familiar. Short term loans were made, based on expected income; but copper prices did not rise, workers were not docile, and costs ran over projections. More borrowing ensued. During the last year Peru lost considerable revenue from strikers, undoubtedly one reason for the effort to mechanize production even more. The May 1977 Andean Report chronicles the current expansion at Centromin's Cobriza property, "already the most mechanized underground operation in South America." A \$160.9 million investment, with \$36.4 million from the World Bank and \$30.4 million from the IDB, promises a production raise from 14,000 to 56,000 tons by 1980. State of the art machinery is very expensive. None of several internal or public studies of the project say at what cost per pound Cobriza is expected to be able to produce copper. They do warn that the principal danger to meeting projected goals is a prolonged period of low prices. The situation is precisely what the industry reviews of Forbes (February 20, 1978) and others promise.

Planning has been going on for several years to mine phosphate rock from the deposits at Bayovar. At least \$6 million has been spent by 1975 on just this phase. The Andean Report in July 1977 noted that the cost of the overall investment was estimated at \$288 million. Meanwhile the potential profit doubtless fell as the price of phosphate plummeted from \$65 a ton to \$31 between mid 1975 and 1977. Phosphate was only part of this industrial dream on the far north coast. The whole

vision comprised several mineral plants, carried a 1976 pricetag of \$2.773 billion, and was to be completed by 1983. A long report in October, 1977 summed it as a mirage faded and standing virtually paralysed.

Some 600 square kilometers of desert near Arequipa is slowly being turned into irrigated farm land in a billion dollar development project. A September 1977 report indicates that by its completion in the early 1990's it will have cost \$13,000 per hectare and provide livelihood for a population of perhaps 200,000 people. At the moment the scheme has produced 5,000 jobs. From one perspective it is grandiose in its effort to bring water from 133 km away in the Andes. But even if the money can be raised, is it a rational way to dismantle Lima's primacy, pay political debts to Arequipa, or address the real long term needs of a region? By 1990 the urban area alone of Arequipa alone could have 800,000 to 1,000,000 people.

All of these capital intensive production projects are very expensive investments in which the state, and thus the society, has a great deal at stake. If something goes awry, further resources must fill the breach to maintain value in the whole. Peru has accumulated many of these projects; the odds of at least some providing unpredictable but consistent drains on public resources is high. Given the complexity of accounting and ownership issues, it is not at all easy to see the real magnitude of such drains; thus, in the current period with the price of copper far down, production is expanding and being sold at least in part at a loss (New York Times, 12/23/77 but disputed by some) to get foreign exchange and maintain the market share. The loss must be made up somewhere.

4. The Military as a Capital Drain

There is one more major direct budgetary drain in Peru. The military is in charge of the budget and has many of its own to reward. Spending for armaments

is hard to chronicle, but in the period from 1975 to 1977 outlays appear to have been \$600 to \$700 million a year up to a total of \$2.1 billion. In the same October, 1977 article Nicholas Asheshov (1977a:187) stated the underlying issues.

Basically the government has always been insensitive to criticism of arms spending. President Morales Bermudez maintains the expenditures are merely to replace out-of-date equipment and that Peru is both pacifist and "anti-armamentist." But some observers, including American bank executives who have helped finance the country, suspect there may be another important motive behind the arms - simple greed. "The officers there get huge commissions from the purchase of planes," contends a New York banker who is close to the Peruvian situation. These commissions, he says, could amount to 10 per cent or more of the purchase price.

Cultural, bureaucratic, and personal interest combine to work against the overriding social interest. Asheshov is quite right to ask both the banks and Washington to consider the potential result of vast new capitol inflows aimed to prevent "political and economic shambles" if no new institutional restraints on military spending are created.

A more complete analysis of military motives would need to explore the class, regional, and corporate links of high officers and the nature of the international threats Peru perceives on its borders. Brazil may have ambitions to encroach on Peru's eastern Amazonian jungle regions and their suspected mineral reserves. Ecuador, having declared the 1942 Protocol of Rio null and void, claims the north-east corner of Peru including the city of Iquitos. Most tangible has been the threat of a border war with Chile. The issues involve legal, symbolic, and psychological claims imbedded in the treaty a century ago which ended the "War of the Pacific" and left formerly Peruvian and Bolivia areas under Chilean control. This author heard conflicting private reports on the potential for war and the degree of human disruption of border areas. The issue has appeared in the Peruvian press to the immediate detriment of the journalist. Despite elements of rapprochement noted between 1976 and and the present, the Peruvian government could

soon face such a crisis at home that a foreign war would be an excellent diversion. The means for it are certainly there.

5. Inflation, Unemployment, and the Popular Response

What is tearing Peru apart and paralyzing human centered development even more than these direct financial drains are the profoundly corrosive indirect drains on social purpose and spirit. These are inflation, unemployment, underemployment and the many forms of human wastage and misery that result. Statistics on these processes are woefully deficient samples of modern urban sector conditions. The ripple out effects are badly understudied. But only a few broad strokes of the picture adds much substance to the present crisis.

Consumer price movements in the Lima metropolitan area have risen throughout the 1970's in a consistent and escalating fashion. The overall index (from IMF, 1977a:15) shows the following annual average percent change: 1971 6.8%; 1972 7.2%; 1973 9.5%; 1974 16.9%; 1975 23.6%; 1976 33.5%. For 1977 the rate climbed past the 40% figure the IMF and Peruvian government asserted to something nearer 45% according to the December, 1977 Andean Report. Feeding this directly that last two years was a 314% devaluation of the sol between June, 1976 and mid December, 1977. Contrary to IMF prescriptions and government assertions, independent predictions for 1978 (quoted by Asheshov, 1977a:183) are for continued and perhaps steep price rises.

It is even harder to assess quantitatively the nature of unemployment. Statistics from outside Lima do not appear in international analyses. The conventional definition of the term collapses from the empirical evidence of Brush (1977). But accepting the available figures is bleak enough. The IMF (1977a:91) chronicled a fairly steady 25-35% in the metropolitan Lima area who, between mid 1971 and early

1976, were either unemployed or underemployed. A mid 1977 report by the International Currency Review (9,4:151) was far more bald: "unemployment has reached about 45% of the available labour force."

Not surprisingly the Peruvian people, who are after all human beings not pawns in an international game, have been protesting with increasing frequency and violence. It would not be inaccurate to describe this as a contest between unions struggling for material and ideological goals against a government, under great financial pressure from the IMF and others, bent on shifting the escalating costs of "developmentalism" and bureaucratic greed onto the sectors least able to pay. The process is a dialectic of wage cuts or layoffs in one sector or another, followed by retaliatory strikers and work stoppages leading then to a partial compromise. Strikers, from the government perspective, cut production and therefore profit and revenue. The chronicle of these struggles over recent years can be traced in several publications such as Latin American Political Report, but what matters most here is the seriousness of the events of July, 1977 and their cumulative impact on Peruvian government thinking as it faces one of several drastic choices in the early months of 1978.

In early July strikes and riots greeted announcement of a set of austerity measures designed to bring down government spending and encourage the IMF to resume negotiations. Many cities were involved, and at least twenty people died from various police and troop actions. On July 19 a successful general strike immobilized Lima. Some 300 union leaders were arrested. More people were shot. Civil liberties, eroded by several years of comparable episodes, are obviously now in severe jeopardy despite protestations of incipient democracy. The government did order wage and salary increases a few days later, but it is clearly a highly volatile situation waiting for the next spark.

6. Three Scenarios of Crisis Resolution

It is in this state of cumulative economic and political disintegration that the Peruvian government faces in early 1978 the mathematical certainty that it cannot meet the total of its projected financial needs this year. Total obligations for the first quarter of 1978, by the December 1977 Andean Report (221) total \$370 million. A consortium of 90 banks was said (Journal of Commerce, February 16, 1978) to be about the offer a \$260 million loan as one stop-gap response. Russia (New York Times, February 25, 1978) deferred two \$60 million arms obligations due in 1978. A banking source told the Journal of Commerce "Peru will get their money regardless of the numbers; the banks can't afford to let Peru go down the drain for fear that it wouldn't drown alone." Can the situation be resolved so simply?

Optimists calculate that increased American aid, a rescheduling of perhaps \$450 million in debts and the continued confidence and support of the IMF (based on a November stand by agreement) and international banks will see Peru through the year. The flows from the U.S. PL480 program will grow, and other spigots can be tapped. But one must look beyond bilateral flows to Peru's ability to meet overall international expectations. For many reasons this author will support the bleak conclusions of the Andean Report (December 1977:222).

The program laid down by the Fund is not in line with what this government is prepared to enforce and it is now clear that it was signed in bad faith by the Fund and by the Peruvians in a combination of hope and desperation.

It is, in fact, the view of senior Peruvian officials that Washington - the Fund and the State Department - is out of its depth here.

It seems that events are beginning to move faster than either the Peruvians or the Americans can handle. The French daily, Le Monde, already calls Peru "the IMF's Vietnam."

It is thus imperative that AID and every other institution and individual concerned with the human rights of the Peruvian poor majority look deeply at the multiple implications and conflicts of each possible choice.

- o Peru can try to muddle through with IMF medicine, international aid, and some rescheduling.
- o It can declare some form of debt moratorium either alone or in concert with other powers.
- o Or it can have a political change, modify its development paradigm, and seek what debt rescheduling is necessary.

Some form of the initial course has been Peru's choice to date. It is openly looking at the international banks, whose free and easy money policies Peru asserts (justly) were a major causative factor, to be supportive and to allow some rescheduling as of March or April 1978. It is equally looking to the United States for tangible funds, using as a lure the promise of forthcoming democratic elections. Substantive bilateral aid would appear to be politically impractical. Elections in a time of increased repression and political conflict seem contradictory, as Pinochet's plebiscite, recently revealed in Chile. But the most serious flaws in this option appear in the IMF's assumptions and projections.

The first flaw is in the ethnocentrism of the interchange between Peru and the IMF during recent months. It is not so much the publicized bickering but instead the implications of the ongoing personnel shifts in Peru's economic leadership. In a highly complex financial situation, Peru is playing with "rookies". Even worse are the psychological dimensions of the dependent relationship. The December Andean Report states that every document in the IMF-Peru exchange including those supposed to be written by the country, was a Fund product. The non-

participatory nature of the November agreement creation and the unusual delay of three months compliance prior to initial payment both served to alienate the involved officials and diminish their will to comply. When end year net international reserves fell \$45 million over the set target, the meaning and validity of the November agreement was immediately viewed by some as null and void.

A second flaw in the Fund analysis is the lack of any methodology relating technical assumptions to political reality. The Andean Report summed up these issues in this genteel fashion (December, 1977:225).

Some Peruvian economists say that not only is the program draconian but that it is in many respects technically flawed. It calls, for instance, for a net loss on the balance of payments account next year of US \$150 million and an inflation of 20 percent, combined with the prediction of a zero growth rate. But that kind of inflation and net payments loss in Peru's present situation would bring a drop in gnp of a least five percent - a depression (that is going to happen anyway) - and possibly as much as ten percent, a really bad depression, so bad that it would need an exceptionally strong, determined government to enforce and withstand it.

Within Peru some group or groups will have to take the loss, and various sectors have demonstrated a willingness to use violence to prevent such suffering. The IMF has written a prescription for civil war, not for economic development or for muddling through.

A third flaw is evident in the IMF projections of 1978 exports and imports revealed in Table 6 (p. 41). Unrealistic premises and expectations is past Peruvian economic planning have been treated above (Part E). The IMF 1978 projections, in specific (cf. Table 6), can be questioned with the following pessimistic counter-projections:

- o Unless there is a fortuitous reversal in marine biomass ecology, the 1978 fishing yields will be comparable to the 1977 poor yields --not higher.

- o Production of more copper does not necessarily mean copper can be sold profitably.
- o Petroleum, slated to make major gains in the trade balance on the order of \$233 million, is subject to many variables both in the international market and in the internal capacity of Petroperu.
- o Recent history (1970-1977) suggests there will be one or two major unrelated commodity price surprises in the international market for Peru's specific list of exports.

The trade balance could thus easily be -\$200 million instead of + \$50 million. Given so many other volatile elements in the economy, it seems wiser to plan with real pessimism.

In sum the plan to "muddle through" makes both political and economic assumptions that are unreasonable. The quality of IMF analysis and prescription is not what the United States government should accept as a basis for policy making. Indeed the situation appears so serious that both the Executive and the Legislative branches should, even must, launch full scale multi-agency reconsiderations of both the situation in Peru and of the philosophical and methodological abilities of the IMF. The brief sketch of issues here barely scratches the surface.

Central to such a reassessment must be a far more coherent understanding of what is happening system wide when the IMF's favorite policy tool, devaluation, is implemented. The IMF has badgered Peru into such currency devaluation in the last two years. For example in July, 1977 the Fund pushed for a 17% devaluation and continued mini devaluation which would combine to drop the sol from its then $S/80=US \$1$ to just over $S/100=\$1$. Political crisis caused a brief backlash and consequent suspension of this policy, but not for long as current rates show.

Devaluation has enormous costs, unevenly spread, which are not at all visible in IMF reports. A November, 1977 study in Andean Report described some in this manner (p.202).

Bankers say that the private sector short and medium term foreign debt is in the region of US \$1.8 billion and with the dollar at S/.80 this amounted to S/.144 billion. With a price of S/.110 the debt has suddenly blossomed to S/.198 billion, an increase of S/.54 billion. Where this sum was to come from, no-one could explain.

Similarly, the state-owned industrial and commercial corporations have a foreign debt calculated at around US \$1 billion, about half of which is Petroperu's. Their obligations suddenly increased by around S/.30 billion.

In the case both of the private and the state companies some of the new debt will be balanced by much higher income from exports. Mining companies, for instance, are temporarily back in clover, despite low international prices.

But for the many companies not in the export trade the cost of the devaluation, coupled with the retraction of local credit and shrinking sales, means that ends will not meet.

In sum the Peruvian state and society made a gift to foreign banks, corporations and countries (mostly of the core) of 94 billion soles or (at S/.110) \$854.5 million. Among the few who benefit from the devaluation are the mining corporations operating in Peru. All their local costs, such as local wages, went down about 27%, as did any outstanding obligations to Peruvian banks. It is not surprising that various nations in the Group 77 are seeking a new international economic system.

Peru has other options. None are without risks. For one Peru can, by itself, default or declare a moratorium of perhaps three to five years. This would appall the IMF and the international banks; handled amateurishly and emotionally the relatively small statistical losses for Citibank, Chase Manhattan and others could be blown all out of proportion through a largely psychological paradigm. Given the ideological nature of international banking's concept of property, calm and logical action may not seem likely.

It is, however, crucial to consider this issue from a longer term and more neutral perspective. Moratorium would not be the disaster that the bank's propagandists now describe; no one bank is owed an amount that would reflect too profoundly on its future earnings. Estimates for one centrally concerned bank, rumored to be in an early 1978 study floating among top policy makers, suggest that the bank's projected 1980 profit, in a worst possible case (Peru, Mexico, and Brazil default), would fall less than 10%. Both the U.S. banks and the U.S. government have a much more substantive long term reason not be antagonistic to a moratorium effort by Peru. Such a posture would drive Peru into the hands of Japanese, Arab, or Russian lenders. One motive of Russia's late February 1978 debt deferral was clearly to demonstrate its comparatively greater responsiveness to Peru's plight. Some form of moratorium does appear inevitable after the current period of muddling; a \$260 million loan will only last so long. If Peru offered a responsible moratorium plan and simultaneously continued to meet its short term trade obligations, it should be accorded serious and quite possibly favorable consideration by U.S. policy makers.

Sensing continued antagonism, however, Peru could seek a stronger position of debt moratorium by a joint action with other similarly threatened countries like Mexico and Brazil. This scenario was discussed among Group 77 members in December. It is the scenario most feared on Wall Street and provides yet another reason to transform the current approach toward Peru of carrot and stick into a policy with a potentially result more in keeping with the stated United States foreign policy ideals of human rights.

As a third possibility Peru could undergo significant structural change of its political order. In this scenario strikes would paralyze the society, the military's efforts at repression would not get people back to work, and a period

would ensue of confrontation, chaos, and bloodshed. With even greater repression the military might reach a Chilean solution. Or a shaky coalition of labor and local accumulators might provide the initial basis for a far more people-centered participatory society and leadership. Some conflicts with international interests might ensue before the new rules of the game were set. But Peru would inevitably return to the world system; even avowedly Marxist governments in Angola and Vietnam do so. A government with significant union participation seems to be the only one that potentially might try to meet the health, education and economic needs of a major portion of the society, not 25% now and the rest at some vague future time. It is this path that would, in other words, be most consistent with the development model of AID's New Directions mandate.

The current macroeconomic situation is thus not conducive to sustaining the present development path, never mind any other. The crisis is extremely complex with much necessary data unknown and more serious analysis indicated. Continuation of Peru's present course does not appear to be statistically or politically viable. That is not a certainty, but it is a very high probability, high enough to merit very very urgent and serious restudy of the whole concept, purpose, meaning, justification, and operation of this system's maintenance. Inevitably such an analysis will be caught up, as has this one in this last section, with whether the system can be stabilized.

AID's concerns must go beyond that to whether the system should be stabilized. The chasm between Peru's path and AID's mandate has been laid bare. It is now appropriate to describe the predicaments of the poor majority of Peruvians, the development targets. For placing them in the workings of the bottom layers of the system is the first step toward assessing the effectiveness of current international development intrusions - whether by AID, the World Bank, or the InterAmerican

Development Bank. That in turn is the preamble to presenting modified or alternative policy options on both the theoretical and operational levels.

III. The Principal Development Targets

Targets as a term connotes aggression and ethnocentrism, but to call the subjects of development "beneficiaries" implies paternalism. Language does not glorify poor people; it is a tool of historical winners not losers. This analysis is trapped in semantics at the onset because most Peruvians and students of Peru have until recently referred to the poor, certainly the rural poor, as Indians. Indians speak Spanish badly or not at all, follow relatively powerless subsistence economic pursuits, wear certain kinds of clothes, etc. The term, however, has a racist core which reveals its raison d'être. Piel (1970:108) put it most succinctly in his definition:

"Indian": a concept created by the dominant classes in Peru to cover in one word the rural and partially autochthonous mass of the population, which was dominated by a "white", creole or mestizo elite under a system of social, fiscal, and juridical values of a racist and colonial type, inherited from the time of Spanish rule. In no circumstances is the word of any use for describing a racial or ethnic identity; it does not exist and has never existed at any time in the history of Peru.

As soon as the Indian goes after a modicum of socioeconomic power, succeeds in defeating some of the confidence-mechanism at work keeping most people comparatively poor, and achieves a measure of social and economic mobility, then he or she is no longer an Indian but a mestizo (or at least a cholo). The empirical reality is that the terms have no racial meaning, as essentially all Peruvians, except the ethnic minorities of the Selva, are quite racially and culturally mixed. It is a rare Europeanized member of a Lima's elite that under scrutiny does not reveal Indian cultural patterns.

Development, however, is an historical process. It is the actualization of cultural belief over time within a prevailing mode of production that matters here. How do feelings modify or guide action? The mestizo townsmen described on page one by a premier anthropologist (Stein, 1972:24) "appear to be firmly convinced that Indians are biologically inferior and consequently deserving of a foul condition and contrary, hostile treatment." Certainly such a view falls somewhere toward the exclusionary, intolerant end of a continuum of internalized beliefs about tolerance and behavior. How a government, whose personnel cannot be immune to widespread social norms, can carry out development programs in such an environment is not a problem unique to Peru.

It is, however, critical to international development efforts and AID development designers to incorporate into design structures an understanding of the core motives of each actor in the process. If mestizos at the bottom of government bureaucracies are called upon to do things contrary to what they have normally found or defined as rewarding, government mandates are sure to be warped.

Understanding underlying normative elements does not imply placing them into a sociological model like the plural society. This form of cultural explanation is handy for a "developmentalist" school which treats poverty as inevitable and the solution as cultural adaptation. But it is not analytically valid. Both rich and poor can see that the relative disparities of wealth, education, and opportunity are a function of mobility per se not some innate ability of cultural adaptation. What affects mobility is not poverty or illiteracy; these are but external symptoms. It is instead mechanisms of domination or, as Elliot (1975) calls them, confidence mechanisms. Stein (1972:46-7) draws the conclusion exactly.

Therefore to the extent that "Indian-ness is an instrument of mestizo domination in the Peruvian social system, and to the extent that traditional Indian culture is nothing more than the result of mestizo action which forces "patterns of Indian behaviour," the system itself

as a mestizo creation is part of mestizo culture and there is no separate "Indian culture." It is inappropriate to view Indians as "responding" or "reacting" to outside cultural influences with their "own" cultural creations; rather, Indians are to be viewed as part of the system and lacking both alternatives and the autonomy to make choice.

The job for development intrusions by the Peruvian government and by AID is to identify the mechanisms at work maintaining domination and to devise ways of changing or destroying them. If that proves politically impossible, then the mission would certainly be to mitigate to some degree the mechanism while simultaneously working to make the optimum structural change a politically possible one. At the very least AID projects should mobilize poor people to work toward specific economic goals at the local level.

The basic paradigm widely used in Peruvian studies to begin an analysis of the mechanisms of domination is the baseless triangle. A most recent and satisfactory discussion is by Whyte (of Street Corner Society fame) and Alberti (1976:206-10). One individual with some land or other productive base employs indigenous workers and monopolizes their access to much or all of their material, informational, social, and financial needs. By keeping the level of socioeconomic awareness extremely low, the landlord could prevent the political consciousness of peasants leading to political mobilization against him and thus a change in the degree of exploitation. The model is most applicable to pre 1960's haciendas in the Sierra carried on in modified form through various kinds of patro-client relationships and through institutional, policy, and cultural biases as described in the initial theoretical introduction. The model is less applicable in the most remote highland world where reciprocal ties still predominate.

This section will pursue this model, subsidiary elements, ecological constraints, and any other relevant development blockages to try to present the kind of material that is necessary for the design of development intrusions given the prevailing

legislative mandate. The targets in Peru that would seem to merit attention are these: highland relatively autonomous villages, workers now in cooperatives, other highland and lowland small holder communities, the urban barriadas, and the Amazon ethnic minorities. With unlimited resources the problems of fishermen and miners might also be addressed.

A. The Highland Villages

It is impossible to do real justice to the considerable variety of village experiences in highland Peru. Each region and area has its unique ecological and resource base which modifies how and to what extent a given village interacts with the world system. Thus the parting critique by Orlove (1977:204) of both modernization and dependancy theories about the inevitable nature of the world system and its penetration is not entirely out of line. People do act creatively where given relative freedom and motivation to do so. What Stein and others argue persuasively in return is that to the extent a village enters into trading relationships with the larger system, its field of choices is constricted. The control of the dynamic and the preponderant advantage lie with the greater in a relationship of unequals. This section will explore through one case study the essentially inwardly-controlled highland village to try to suggest what outside development interventions might be called for by the villagers or by longterm weaknesses in the delicate balances with nature that permit reasonable subsistence.

The villagers high in the Andes have had to adapt to a degree of ecological complexity with few if any parallels in the world. In one valley in north central Peru is the village of Uchucmarca with a population of about 1,000. It was visited by anthropologist Stephen Brush (of William and Mary) in 1970-1 and 1974, and his book appeared in late 1977. Many many aspects of his reserach effort could serve

as a model for the depth and sophistication necessary for AID designs worldwide. Here a few elements must do.

Uchucmarca sits in awesome and rugged terrain whose very nature imposes a degree of isolation from the world that makes impractical great reliance on the outside for any economic need. Indeed within the valley transport by foot, horse, or truck is usually arduous and time consuming; one can see visually places it takes twenty hours to walk to. In such a habitat these Peruvians developed one or more ways to reap economic rewards from each of seven different microclimates and biological communities that correspond to seven altitude ranges between 800 meters and 4300 meters. Nearly all families cultivate crops at several of these levels while following a complex yearly agricultural cycle. The pattern for Uchucmarca is thus a bit more elaborate than the common four crop zones described elsewhere in the Andes: 1) a lowland tropical zone for sugar cane, fruit, and coca; 2) a temperate grain-producing zone; 3) a cooler potato and tuber zone; and 4) a highland grass zone suitable for herd animals.

Uchucmarca's economic activities, from the bottom up, begin at the temple zone (800-1500 meters) where irrigated agriculture is practiced. Competition for plots is considerable in the areas where cash crops are possible. Such plots are few in number and the most remunerative. Fruits, maize, cocoa, manioc, plantains and peppers are grown, but by far the most important crop in terms of labor and reward is sugar cane. If no flooding intervenes, a cycle of 3-5 years is followed allowing 2-3 years of harvesting. Cane is cut by hand, hauled to one of four mills and processed into ten pound cones of crude sugar to be sold outside the village. It appeared to be the only crop of which more than 10% was sold outside the village. Not very many villagers seem to have been involved; the economy of Uchucmarca functions basically by exchange relationships.

The next zone (1500-1900 meters) suffers drought often enough to discourage cultivation. It serves instead as a basic source of firewood, the only fuel. Pursuit of firewood occupies every family member and roughly ten percent of the time used in subsistence activities. The third zone, kichwa, (1900-2450 meters) has, in contrast, predictable and reasonable rainfall and temperatures. This is the basic grain producing area; wheat and maize are staples with wheat the largest single protein source. Beans, fruits, squash and even chickens and pigs grow at this level. But grains are central. More than half the plots are being sharecropped but despite land pressures production is still basically noncommercial and within the subsistence mode. There are as well some cash transactions with outsiders.

Above the kichwa sits the templado zone (2450-3100 meters) and the village of Uchucmarca itself. It is a transitional region between the dry forest above and the warmer moist one below. Some crops from both are present; the field pea is the only important one exclusively at this level.

The fifth zone is the jalka (3100-3500 meters) and the area of potato production. Villagers have more land here and spend more time in this activity than that at any other level. Only about a fourth of the crop is produced by sharecropping. Just under half of all households own at least one plot at this level and 77 percent are involved in some form of production; these are the highest degrees of ownership and participation of any crop.

The last two distinct zones are basically communally used. One is the jalka fuerte (3500-4300 meters) which has frequent frosts and much rain. Here are the grasslands which provide pasture for cattle and sheep. More than half of the households maintain at least some cattle as a form of living bank account that is easily convertible. The last of the seven zones sits to the east of Uchucmarca Valley,

stretching out from an initial height to about 2500 meters. It is a very thick forest, good for hunting and for wood.

The sum of these seven zones is a quantity of resources allowing perhaps an unusual degree of independence from outside market activity for a highland village. This has led to a very highly developed and successful subsistence economy; Brush saw income and wealth disparities based largely on historical and demographic settlement patterns, but he found no visible evidence of malnutrition or dieting deficiency. No family owns more than 10 hectares of land. The inheritance system tends to fragment holdings, leaving a minifundio pattern and an average of 1.58 hectares per household. This does not promise long term stability. A few families have no land, and the holdings per crop zone varies.

To maintain such an economy requires a considerable social harmony and the mechanisms to insure it. Key to Uchucmarca, as in any basically reciprocal-lineage mode of production, is a web of exchange relationships with the kinship system as the core. "As if it were the nature of the universe", the kinship system embraces all human actions from birth to death. The nuclear family is the heart, but the "general kin universe" (Brush, 133-4) extends to about 10% of the village for any individual. For most it represents a considerable pool of human resources. At least six major types of exchanges are distinguished. Principal is the sociedad or sharecropping exchange of land and labor; the owner provides the capital inputs, and the yield is divided equally. About 70% of the households are involved in this form alone. Other forms include labor exchange, labor for food or cash, ritual harvest exchanges, exchanges of goods, etcetera. The result for each household is a strategically designed network, and the sum of the networks is the economy.

To be sure, individual strategies sometimes fail. Many mechanisms come to bear to lessen failure and inequality. Brush (91) summarizes them in this fashion.

Redistribution of resources occurs throughout the period of production: land is made available to those who do not have it through the system of sesiedad; seed and oxen are obtainable through rental or exchange of services; labor is offered and utilized through reciprocal labor exchange and through systems of payment involving the use of cash and crops.

The system was indubitably imperfect since some did not have land. Laziness was not reported upon. A further avenue for those deprived was emigration. Brusck enumerated 178 adults who had emigrated permanently; in 31% of the households at least one member had done so temporarily (in their most productive years). This village and others makes villages like Uchucmarca outposts of the world-system. This village and others like it pay the initial social cost of producing a vast quantity of labor whose production benefits another region - largely the Coast. It is only partially compensated by immigrants and by wealth brought or sent back.

An international development designer looking at a village of this nature is faced with several areas of possibilities. Initially one should be concerned that the potential destructive forces of monetization be clearly and publicly articulated in village meetings; aspirations to trade have become more and more obvious. How will accumulations of wealth be stored and used in socially responsible ways? Nonmonetary exchanges are now veiled in great secrecy. Conflicts are normally solved within kinship norms. Taxes are paid through ritual labor obligations. Much new education is called for as the villagers themselves see. Brush (119) discovered among their perceived needs secondary education. The Peruvian government has done an excellent job in many areas establishing primary schools in easy walking distance for 6 to 9 year olds (personal communication). At the central location in each school district an education service center is planned; part of this complex

will be the regional secondary school. As they become operational one of the basic confidence mechanisms, unequal access to education, will diminish appreciably. An absence of secondary roads and school buses will continue the hardship for some villages. At some point people may have to move to where social services can be offered, given visible financial limits.

AID could in addition look closely at how the villager spend the hours of the day. For AID's and IERD's economic analysis of underemployment (that the marginal productivity of such workers is zero) collapses before anthropological evidence. Brush calls it (117-132) the myth of the idle peasant. Peasants are not full-time agriculturalists; Brush (119) makes the case thus:

The fact that they do not specialize means that regular portions of their time must be set aside for doing tasks which in industrial or market economies people are employed full time to do. One finds little evidence that the hours spent on nonagricultural activities such as house construction, braiding rope, making roof tiles, gathering firewood, fence building, tending a few head of livestock, and so forth have been counted in the formal economic estimates of underemployment. Moreover, many such estimates tend to overlook labor inputs that the people themselves may consider as an essential part of agriculture.

It is manifest that aspects of subsistence employment are unmeasurable. A more appropriate task for economists is to see how specific villagers allocate time and try to devise ways to complement ongoing ways to improve the productivity thereof. This author was most drawn to the time spent by Uchucmarcans looking for firewood, a basic but vanishing resource. Here is one more village on this globe desperately needing the appropriate technology for solar power. In the meantime, it was suggested to this author, that someone might teach them to use the coal frequently available. AID might put thought into low cost mountain transport as well. Even Uchucmarca, relatively more fortunate than most, is running up against ecological limits that cannot all be avoided by emigration. As these villagers seek to enter

the world system more fully, AID among others has the responsibility to see that they can defend themselves well enough to benefit. It won't be easy.

B. Haciendas to Cooperatives in the Highlands and Lowlands

Between 1968 and 1976 Peru carried out one of the statistically most impressive land reforms in modern world history. Yet on July 1, 1977 the Latin American Political Report summed up the result in this depressing fashion.

The enormous problems facing the reformed rural sector are only too obvious, and are not, confined to political identification of the main campesino organization, the Confederacion Nacional Agraria (CNA), with the opposition Partido Socialista Revolucionario (PSR), embarrassing though this is. Paradoxically, after years of spectacular land ownership transfers, Peruvian agriculture is still beset by the structural problem inherent in excessively large farms with distorted linkages to the rest of the economy. Most of the large units are now nominally cooperatives rather than private estates. There are some 1,450 of them, the majority extremely poor, lacking in technical help and administratively unwieldy. These problems apply particularly to the highland area.

Fitzgerald (1976: 31-2) captured the heart of the paradox. Reform changed the pattern of ownership for some 25% of the rural workers, but the overall structure of production or the use of labor and land remained the same for nearly all. To help undo the longterm agricultural stagnation that has resulted, AID must explore deeply what other factors are involved. It cannot assume that the current degree of reform is sufficient, that only new inputs of technology and capital are called for.

Several frames of reference should be kept in mind. There are wide income gaps between the richest sugar cooperatives on the coast and most highland cooperatives. Similar gaps exist among members of a single cooperative, especially on the Coast. Finally there are wide income disparities between cooperatives and smallholders. These remain. So do severe conflicts in the processes of interaction between cooperatives and the larger world system. Ecological constraints remain as well. Peru has the lowest ratio of cropland to population in South America. Long term land scar-

city, adverse price movements, and, until recently, insecure* land tenure all reflected the basically ill designed and conflictive nature of the domestic economy and its political and cultural expressions. To affect any of these conditions, one must know something of the prereform situation, the underlying goals of the reform, its nature, its magnitude and the limiting factors.

The traditional haciendas of the Sierra, as well as the plantations of the Coast, were born and existed as part of the world system. The internal structure of the hacienda, however, contained a number of non-economic elements amidst the vast web of relationships between patron and colonos. The core tie was an open-ended, quasi permanent allocation of land by the patron in return for labor and goods. The breadth of ties included all aspects of juridical, economic, and social life for the colonos. The patron made additional profit by selling his peon labor outside the hacienda. Field bosses and overseers also used their positions to appropriate labor and goods so that a degree of corruption was deeply institutionalized. The peon's social recourse was to seek a socio economic benefactor or protector, usually by the ritual compadrazgo tie.

The abuses of the colonos within the hacendado has been widely chronicled and need not be repeated. The degree of interaction with townsmen that left the poor prey to more than one patron opened up a far wider field of abuse, abuses that are not necessarily harnessed merely by land reform.

An hacendado can at the same time be judge or governor; a mestizo merchant can be town boss and civil authority. The Indians themselves can at the same time be dependent on a church, a boss, the neighboring hacendado, and the authorities. This diffuseness of the boundaries between the several cases is reflected in the extensive terminology relating to the institutions and the obliga-

*Recent changes in Plan Inca may destroy this security; a private communication indicates that land is now tied not to the cultivator but to the person's registered production record. Without such registration smallholders can be denied the following: 1) water, 2) technical assistance, 3) state monopolized fertilizer, hybrid seeds, etc. and 4) sale at the guaranteed prices at EPSA.

tions which are joined to them. Out of this come the permanent confusion and ambiguity regarding what some owe others. What is designed to take care of the campesino is order to tighten his load is what in the last analysis especially benefits the masters of local society, those notoriously deceitful and avaricious mistis, who derive advantage from the situation. (Piel from Stein, 1974:22-3)

It is confidence mechanisms such as these that lead one to call Peru today an unfinished revolution. Lacking DESCO's 1976-7 reports or any 1976-8 English language anthropological fieldwork on this, it is too soon to draw hard conclusions on the survival of these patterns. Critical research is required here.

Useful to understand as well about traditional hacienda relationships are the factors that accounted for the survival and continuity of the system. Paige (1975: 170-4) summarized them well. The highland patron was content with a labor supply of subsistence level serfs because any surplus could not easily be reinvested for greater profit. Technology and a dearth of reachable markets encouraged the patron, particularly of larger estates, to spend on his own life style instead. A limited output thus created a balance of coercion and subsistence with an significant gain by peasant or patron endangering the other. Seasonal and legal insecurities made the peasant very chary of challenging the system anyway. For the same reasons peasants would not invest in capital improvements. Within a given hacienda there was enough social and economic ranking and therefore potential mobility to provide the core of other confidence mechanisms to sustain the status quo. Limited resources and their skewed distribution precluded largescale political action; smaller actions left peons open to considerable retaliation.

Obviously these limiting factors were not operative in the few highland and most lowland estates where the introduction of cash crops gave both lord and peasant new economic possibilities and resources. The export economy made pastoralism economically profitable, created the commercial plantation as its rival, and provided both

with the resources for consumer goods and modernizing technology. The stage was set for conflict, and peasant land invasions in the 1950's and 1960's were a large precipitating factor for the reforms that came after 1968. Others (from Whyte and Alberti, 1976:200-6) included declines in return for labor or land, worsening of market conditions, and threats to recently achieved gains.

Many narrative elements of the history of the last decade's land reforms are not particularly apropos to AID's development designers. But it is important to understand the reform's key goals as something more than idealistic and humanistic help for some of Peru's most downtrodden. It was urban based political interests that backed the military's effort. Specifically it was national accumulators who were trying to expand their own internal markets for consumer goods and agricultural inputs. An optimal discussion is that of Wilson (1975:223-31). To a large extent such goals were realized indirectly by several kinds of government policies. For one the government left unchanged the patterns of unequal exchange between urban goods and rural food commodities.

Even the government take-over of the marketing of basic food items (through EPSA) has resulted in continued price policies favoring the urban consumers (which in turn cheapens the cost of reproducing the urban-industrial labor force) ... The market mechanism, reinforced by government price policies, continues to make it impossible for more and more low productivity peasants to make a living from the land. Agrarian Reform does not detain the process of rural marginalization.... that forces more and more peasants to migrate to the cities, where they became part of the urban marginalized sector (Wilson, 227-28).

It is in all a not uncommon demonstration of economics as if people do not matter.

How neatly then the overall political goals mesh with these fundamental economic motives. Peruvian scholar Julio Cotler (in a 1971 essay excerpted by Wilson, 224-5) summarized them in this matter:

The law of agrarian reform ... seeks to pacify the peasant masses and eliminate the possible operational basis for another guerilla attempt; likewise it attempts to undermine the aprista bases and the rural political mobilization of that party generally; it provokes a state of confusion among the fragmented left; it eliminates the rural sector of the bourgeoisie, which had been the most important obstacle for the development of the country and for social homogeneity.....the President recognized the injustice and exploitation to which the peasant was subjected and the urgent need to eliminate peasant marginality which would in turn allow for the industrial development of the country.

Against this background the many limits to the reform become much more explicable as do the difficulties faced by AID's development designers in rural programs. First, however, a quantitative and structural portrait of the problem is in order.

The Velasco government began the accelerating of land reform in Peru with a 1969 law that took three major steps. It created a new specialized branch of the judiciary to deal with the legal issues involved. It forbid all forms of land rental; all landowners were to live on and work their own properties. Lastly it insisted that all agricultural workers take part in the management and profits of the plantations or enterprises where they worked (Horton, 1975a:52, inter alia). Many reforms in the Ministry of Agriculture made more resources and personnel available. A rational methodology of nine steps, with its acronym PIAR standing for Integrated Rural Settlement Project, was laid out as the operational guide to land reform by region. All agrarian zones were divided into a manageable number of PIAR's with the intention of restructuring all unproductive agricultural activities not just the large estates. The process in action, however, attacked latifundio and has yet to arrive at a theoretical or operational approach to minifundio.

The principles governing the cooperative and quasi-cooperative productive forms that resulted from the seizure of sugar, cotton, and coffee plantations and highland haciendas were summarized (Horton, 1975a:61) in this way. The government wanted to retain the integrity of the unit and its infrastructive yet use available resources with optimal rationality and economy of scale. It sought as well social goals - more jobs, better living condition, and less isolation. But it did not come to grips with the contradictions implied. Attention went to forms not content. The two major forms that emerged were the Agrarian Production Cooperatives (CAPs) and the Agrarian Social Interest Societies (SAIS).

CAP's were intended to be truly collective operations without individual production. In practice in most cases a professional manager was hired and in the largest sugar cooperatives some technicians as well. The CAP's were permitted and did hire non-members who partook of neither profits nor control. CAP members have no incentive to enlarge their rolls by allowing marginal workers on; everyone's profit share would diminish. The SAIS form (Horton, 1975a:65-68) resulted when the government found it impossible to allocate a hacienda to one community of workers. The SAIS groups haciendas with campesina villages and shares control, labor, and rewards with both workers and surrounding communities; legal ownership is vested in a service cooperative.

Above the SAIS, CAP's, and other small holder groups the Peruvian government erected central cooperatives to promote larger scale social and economic ties beneficial to them. These are called CECOAMP and provide "marketing, credit, processing, accounting, technical, and managerial assistance." (Horton, 1975a:69). Ministry of Agriculture officials and those of SINAMOS (a separate activist bureaucracy created by the Phase I military leaders) made some progress in most PIAR's to implement overall reform goals. But in small communities they struck out, a topic for part C (next).

On the following page Table 8, drawn from the most analytically important work on the reform (McClintock, 1976:121a), gives the best available approximations of the overall accomplishments of the Peruvian land reform. It is apparent that only about 25% of the peasant families can be said to have benefited in any appreciable way. The remaining skewed patterns of holdings reflect the ongoing disparities of access to resources and thus of wealth. Families in CAP's average 24.4 hectares and those in SAIS about 47.3 hectares; the rural elite, including former hacendados and their choice retained holdings, average a comparable 40 hectares. But at least 400,000 families, one third the total, have too little land or none at all. The overall goal of productivity rather than human rights is clear.

The limits of the reform are far more than quantitative. They involve basic contradictions in the government approach and in the workers and peasants responses. Each provides food for AID contemplations and possible development intrusion, directly or indirectly.

Who controls the key decisions? In recent years the bureaucracy has been criticized from both ends of the spectrum. If it is passive, participatory inequality would persist; action, however, could appear as cooptation and would certainly undermine authentic participation. Government held onto overall wage and production decisions and at times intruded even more. Peasants, fearful of easy come easy go and the talk of more change embodied in the concept of Social Property, did not give the government great support. McClintock (1976:411) concluded that the result was a vicious circle:

skeptical of government action, cooperative members were inclined to perceive officials as even more intrusive than they were, and to try to block these policies. Observing peasant resistance, officials at times pushed their advice vehemently, and reinforced peasants image of the official as intrusive.

TABLE E

ESTIMATED DISTRIBUTION OF PERUVIAN PEASANTS BY MODE OF AGRICULTURAL ENTERPRISE, 1977

	Number, as of September 1976	Thousands of Hectares ^{1/}	Total families ¹	Families benefitting from reform	Percentage of total rural farm families
CAPs and Peasant groups	974	3,900	160,000	160,000	13
SAIS ^{2/}	60	3,120	66,000	66,000	5
Peasant Communities ^{2/}	3,000	5,000	500,000	94,000	40
Private farms of less than family size, outside communities (some in service cooperatives)	N.A.	3,000	175,000	some	14
Private farms of family size or more (some in service cooperatives)	N.A.	6,000	125,000	a few	10
Landless temporary workers ^{3/}	--	--	250,000	very few	20
Total	--	21,000(?)	1,250,000 ^{4/}	325,000	120 ^{4/}

Sources: See Appendix 2. Calculations are rough predictions. Number of hectares is an especially disputed figure. See Appendix 2 for discussion of controversies. Families and land in the jungle are excluded.

^{1/} Figures for reform enterprises are projected to 1977 from figures through September 1976 in Ministry of Agriculture (1976). Projection is based on the expropriation of 20% more hectares in September 1976 than had yet been adjudicated, and allocating the expropriated land and benefitted families to CAPs or peasant groups, SAIS and peasant communities as they were in the 1975-76 biennium.

^{2/} The extent of overlap between these two categories is unclear. It is perhaps .5%. Some SAIS do not include peasant communities, although they are supposed to.

^{3/} By the nature of their work, these families cannot be counted adequately. Some of these family members double as peasant community residents/temporary workers.

^{4/} Figures do not add correctly because of overlap in various categories. See 2/ and 3/.

Beneath this communication conflict is the core problem of modern Peru, a corporatist mainstream political culture of a defensive elite that literally does not accept the democratic, participatory vision implicit in human rights.

Further confusing are the absence of answers to several obvious policy questions. Are the SAIS (and CAP's) in cooperation or in conflict with each other for government resources and how is or should this be resolved? The various cooperatives are quite unequal in wealth, yet there is no visible strategy to work toward a socially responsible rebalancing. Indeed the government's continued insistence on the profit motive skews choices the other way. There is, despite the IBRD's reports, no visible comprehensive long range farm policy. Thus, as McClintock concludes (1976:456-9) the government is trapped by political pressure into piecemeal program and inequitable resource allocation. A contrary conclusion from a private communication is that under the surface a very sophisticated system of controlling all phases of agricultural production, marketing, and research is being built up. One proof of the latter's viability will be when agriculture imports begin to diminish.

The problems as seen from the bottom begin with the fact that the government usually installed the changes from top down instead of beginning with social mobilization for self directed action. Peasants held on to their fear of dependence of the new reform enterprises for several reasons. Failure meant suffering. The past history of dependence on outsiders and outside markets, as Horton (1975a:129) found, was a very negative memory. Instead peasants developed a collective spirit toward each other, a situation McClintock (1976:i-ii) termed group egotism. Self management fed this inward perspective so that the conditions of women (in larger cooperatives, particularly), of disadvantaged outsiders, and indeed of the nation received little or no concern.

Symptomatic of the entire range of unresolved conflicts from either perspective is the way in which Peru's announced philosophy of "neither capitalist nor communist" translated into confusion in the matter of work compensation. Wages went up in cooperatives, but disparities remained and so therefore did competition for higher posts. Most surveys (McClintock, 1976:288-96) indicated workers did not prefer income equality more than getting ahead. But neither wages or profit remittances were strictly tied to work performance or hours put in. Nor were promotions and advances predictably related to open criteria; personal ties remained important. All these disincentives drove down productivity and diminished solidarity. Workers couldn't be fired; logically many spend as much time as feasible in private pursuits. Clearly it was not an auspicious start.

To be fair to the workers, one critic reminded this author that there were other substantive reasons why reform created production declines. Intrusions by Ministry of Agriculture technicians forced ill-accustomed and sometimes ill-advised changes in crop choices. Initial marketing changes were handled unskillfully, resulting in losses. Less production being marketed could also have been a sign of workers eating better. Finally one should not expect to eliminate overnight centuries old patterns of dependency and risk aversion.

With all of these limits and constraints the government has not appeared to begin rethinking philosophic assumptions. It has instead made predictable technocratic responses: training managers and peasants in practical and administrative issues and enlarging credit, technical assistance, market, and distribution system. Horton (1975a:180-1) saw the practical results. Choices made for practical political reasons and profit motives led to productivity over participation and to investment choices that widened the gap between rich and poor. The somewhat more coherent system's-based approach of a private Peruvian development group,

DESCO, was also seemingly (Horton, 1975c:II.4) trapped by a dependence on collectivization rather than participation. A look at their most recent research and activities might show change. In the meantime this, the most productive and wealthiest quarter of the agriculture sector, is stifled by philosophical and psycho-social contradictions from creating the overall socio-economic organization and motivations to undo the long term stagnation.

C. The Marginal Peasant Communities in the World System

1. The Political and Economic Obstacles to Development

The 900,000 or more families constituting the fringe of the world system within the national and regional subsystems in Peru contain, of course, both commonalities and differences. No entirely universal solution exists for their development needs. Some provide cheap food or labor to the system. Others provide a commodity or product made cheap on a world scale by the subsistence return to the producer. Many or most of these families are not significant consumers of modern goods. Indeed the larger system, having no effective way to make them more profitable either as producers or as consumers, sees them as a drain on scarce resources and thus opposes significant public investment in them. This is the most basic underlying systemic blockage AID faces in its efforts, as has been made obvious in several previous sections.

This section intends to proceed with optimism to show what the varied subsidiary obstacles are to political and economic participation to a degree that might engender sustained development and meet basic human rights. That implies a multi-disciplinary inquiry into how the political and social systems use confidence mechanisms and other means to skew the allocation of the rewards of labor and how peasants in various settings attempt to fight back and create alternatives. Given

the variety of ecological and economic settings, only a few samples are feasible. Such a variety, however, does not entirely support the sectorial model and its critique of the theories of modernization and dependency as just advanced by Orlove (1977). He argues (204) that

the sectorial model, by viewing individuals as actors, shows history as something they construct. People are faced with forces not of their own making, but they respond actively to these forces rather than receiving them passively. Their reactions are based on their particular circumstances as well as their common position in export economics and nation-states. The variety of local conditions thus generates a variety of responses to these global forces, so the interlocking of alliance and conflict, of internal and external dynamics, proceeds differently in different cases. The sectorial model shows that what is universal about the people of the Sicuani region is their uniqueness ... It allows us to comprehend our world is: unitary but not uniform.

Orlove's wool exporting region had the financial base to be more creative than many. But the sectorial model is most flawed by focussing on the uniqueness of the case and on symptoms rather than the commonalities of impoverishing processes and the way in which the larger system conditions and guides development choices and the socio-cultural matrix.

The cases drawn upon are not quite as varied in locale as would be desired. Dew (1969) wrote about Aymara speakers on Lake Titicaca in the Altiplano; Handleman (1975), Whyte and Alberti (1976), Van den Berghe and Primov (1977), and Orlove (1977) all wrote about communities in the department of Cuzco. Some touched also on adjacent departments. Stein's various essays on Vicos, however, and Brush (1977) both center on northern highland communities. A number of other ethnographic works are also drawn on for these works so, with Orlove's caveats in mind, most marginal communities face these problems.

Peruvian municipal governments, whose town councils have a long heritage of mestizo domination, have in the last decade seen much of their power taken away by the newly implanted military bureaucrats from SINAMOS. Duties left were the most

mundane: upkeep of markets, sewers, streets, and registries. Budgets are vastly insufficient, requiring subsidy from above and thus dependency. Order is provided by units of the paramilitary Guardia Civil in most towns of any size. By education they "quickly identify with the little local mestizo oligarchy of teachers, shopkeepers, and medium-scale landowners." (Van den Berghe and Primov, 1977:73). Guardias live largely off the land, helping themselves in the market place and elsewhere. A secret police serves one kind of judicial back up. SIMAMOS plays additional roles (diminished in Phase II) as government propagandist, patronage empire, and facilitator of services. At least in Cuzco and likely elsewhere, it was perceived as the most powerful government presence and thus the scapegoat for assorted ills.

The smallest and more remote communities are much more likely to be run by some variation of the varayoc system and consensus of village elders. The varayoc are persons serving in ranked civil authority or ritual positions. Lower ranks are refilled annually in a prescribed fashion. Service in these positions is quasi obligatory for most males. Rank in large measure determines ceremonial duties and obligations. The degree of community political autonomy depends naturally on how near it is to a larger political or economic force. Most such communities not only do not have a sufficient bureaucratic structure to face the outside world but they also do not have the legal status or ingenuity to protect their lands. A 1958 survey (Handelman, 1975:32-3) showed 75% of the nearly 6,000 peasant communities were vulnerable to land encroachment; financially ruinous legal fights, draining as much as 50% of a village budget, went on for years against encroaching haciendas, plantations, or neighboring communities. A 1970 Peasant Community statute tightened up the rules, requiring all individual comuneros in petition to be resident farmers.

Growing need of boundary security impelled "open" farm communities to apply for legal status as territorially inviolable comunidades campesinas but with mixed results.

Villages appear to be often divided in a number of ways which can serve to warp or destroy the best planned development intrusion in a specific locale. Whyte and Alberti (1976:236-39) put them in a useful typology. Factionalism can emerge between age groups, economic activities, indigenous-mestizo conflicts, neighborhoods, religious observances, or political belief. In one White and Alberti case, 30 young men were expelled from a community. A village with two predominant economic activities might see competition for resources lead to a polarization. Some communities were split by more than one variant of the indigene-mestizo culture conflict. Sometimes neighborhoods marked severe political and economic barriers; a long study of one village dominating another nearby appears elsewhere (127-8) in their work. Religion can divide communities into factions in the rare community where Protestants made headway. Similarly when political party activity grew more complex than aprismo, which it certainly has in the 1970's, further divisions arise.

A more sophisticated way of viewing community factionalism has been provided in an unpublished work of Brownrigg (n.d.). She looked first at the basic cultural conflict between traditional and modern psychological outlooks as they were translated into community organizational change. The more modern sought new education and technology; in so doing they were often absent extended periods from community labor duties, which eroded traditional authority and work patterns. This provoked particularly visible conflicts between youth and elders, especially in communities with limited resources and no annual distribution of land. Close examination of many other conflicts revealed a second basic thesis. They were competitions between kin groups being carried on under the cover of multiple cultural, political and

economic organizations. This all suggests that international development designers should apply a lot of anthropology and, preferably, encourage and aid the villagers to do their own designs.

The economic predicaments of most of the highland and lowland residents who are not members of cooperatives or of the urban criollo world are severe. The world-system works effectively to take their labor cheaply while allowing individual advances to maintain the illusion for nearly all. Most at a disadvantage were those landless families and individuals who could count on nothing more than labor and social ties for survival. Slightly better off are the small farmers and village entrepreneurs who would need to engage in wage labor only part of the time. Best off are those with a relatively full time pursuit like wool producing which provides some degree of autonomy and security albeit dependence upon and loss to a market system.

There is no proper way to generalize on the specific issues of particular productive forms in particular regions as so much depends on the spatial and historical setting of a given location. Van den Berghe and Primov (1977:93) argued, for example, that Cuzco's overall stagnation represents the aftermath of exploitation in the colonial era and relative marginalization thereafter as resources, investment, and growth elsewhere made much of this region a backwater. What their analysis slights is that such a backwater, via migration, produced cheap labor, even if relatively few commodities; but even one such microcosm suggests the variety possible. What appears more universal is the considerable degree of antagonism in nearly every account of productive activity and exchange. This has been discussed several times from the initial page of this essay. The worst elements of hacienda conflicts have been mitigated within cooperatives, but there is little

to suggest that the remaining landholders treat or are treated by hired labor any better than Bourricaud (from Dew, 1969:76-7) found in the early 1960's.

What is very remarkable - if not very surprising - is that the two parties have the sentiment of being exploited. The Indian complains that the lands he has received are of mediocre yield, that their (colono) neighbors have been treated better, and that the patron has excessively reserved the best lands for his own use. In short he has the sentiment that his work is worth more than the remuneration he receives. The patron stresses the poor quality of the Indian labor, the negligence of the shepherds who let the sheep die, and the spirit of theft by which he alleges the Indian profitable substitutes the animals of his own flock for those of the hacienda.

Bits and pieces of evidence suggest that this distrust runs the gamut of economic activities. Trading relationships were cause for deep unhappiness. Handleman (1975:201) found in interviews that merchants were perceived as buying for unduly low prices and selling manufactured products at top prices. Villagers, prey to many forms of labor and commodity tithes, cannot clearly articulate such a basic form of unequal exchange. But they could see how the superior transport abilities of local merchants hurt their own ability to retain the fruits of their labor.

The most detailed recent discussion of rural trade is that of Orlove (1977: 57-61) on the Sicuani regional economy's export of wool in the southern highlands. He found the direct vertical marketing ties the most important: one middleman with several suppliers and one purchaser among the export houses in the province capital of Arequipa. Personal ties are critical to maintaining these links. Orlove advances a thesis of "a high degree of competition among middlemen" but then shows multiple ways in which the producers' ability to benefit are limited. Personal ties often lead to advances of credit, the obverse of which is debt entrapment; this cuts down the major natural advantage to producers of being able to store wool when the price seems low. Buyers in more remote areas often have a defacto monopoly as

the only one traveling through the area; there is then no incentive for higher prices. In areas where an established market exists its surface competitiveness may be destroyed by informally dividing the routes of the approach to the market; the result is a somewhat more subtle monopoly.

Most apparent, however, is the impossibility that producers know as much about changing market conditions as do the buyers. The higher the level in the system the easier it is to find out and to shift costs. Orlove (57) described the view from the bottom in this manner.

On occasion, publications have appeared stating market prices for wool, but these are infrequent, irregular, and do not account for short term fluctuations or the considerable price variation in the sierra. They often reach the potential wool seller several weeks late. At best they serve to inform some hacendados and large-scale wool wholesalers of general trends and, on rare occasions, of specific prices.

Less formal mechanisms also fail to communicate full information on prices. Wool prices are a common topic of conversation, but information travels slowly outside an area larger than a province. Stories tend to be exaggerated, and information spread by word of mouth is most inaccurate when prices are changing rapidly. Even within small areas, information about price rises may be kept secret. One buyer may give his suppliers an increase of 5 to 10% without the others knowing for several weeks.

Given such an informational imbalance, combined with the power imbalance in specific dialogues over the exact weight, color, and quality of the wool, the average producer cannot be said to be in a position to strength. Wool producing, parenthetically, appears to be one of the most remunerative activities among marginal highland communities.

Other coincidence-mechanisms could be elaborated which skew allocation of resources and rewards in local economic activity. Agricultural extension officers exist in some towns and offer short-term loans to peasants, those few peasants who appear to do have the ability to repay. Officials thus have a few model individual peasants to show superiors how well the program is going. A large middle group of peasants

sees such credit models as not hopelessly out of reach. They continue to try, though over time few succeed. But the system retains its legitimacy and survival through the cumulative false hopes, despite its failures.

A similar confidence-mechanism is at work in the village upkeep of roads and irrigation canals, alluded to before as a community ritual. All families are supposed to contribute an equal share of labor for equal benefits. The reality is rather regressive. Wealthier peasants and mestizos have the resources to pay to avoid such labor. More importantly they gain a disproportionate amount of the water and the road use since they have more resources to apply to the productive activities that use these inputs. The poor are on balance paying to make the rich richer but don't perceive it. It's not surprising; poor people in this and every other country can't see most of the confidence mechanism they are trapped in.

2. Avenues of Personal Mobility as Confidence Mechanisms

The world-system offers two principal avenues of escape for marginal peasants at this point in history. These are education and migration. Education provides an opportunity for personal change and mobility on a one at a time basis. Looking beyond the platitudes and promises of the Educational Reform Law, one can see several reasons why bureaucrats will be retitled and reshuffled but many poor people may gain but little functional education.

Van den Berghe and Primov (1977:78-81) surveyed the situation in Cuzco and came up with a biting critique with four basic points. Most teachers in the sierra know the local language and use it verbally; but they invariably teach reading and writing in Spanish despite visible deleterious effects on learning speed. Worse are the more subtle culture conflicts going on.

Teachers are by definition mestizos. Though many are of Indian origin, when they learn Spanish - a necessary condition to become teachers - they become mestizos. As such they generally share

all the prevalent stereotypes about the Indian's supposed backwardness, slowness of wit, sluggishness, laziness, stupidity, ignorance, stubborn conservatism, and so on. Many teachers have low expectations of their rural pupils; indeed, some firmly believe that their educational task is doomed to failure. This belief, in turn, is almost certain to become a self-fulfilling prophecy.

Absenteeism by teachers assigned to rural areas remains, one observer told this author, as critical a problem today as it was in the 1960's. Rural teaching assignments are much resented; the least qualified and experienced are assigned the posts. Distance from supervision has meant phenomenal absentee rates. Finally and inevitably, rural education has been starved for financial inputs; the farther from major towns the worse the situation. Teachers might live off the country but that did not provide books and paper for children.

Education must be seen as well as an elaborate confidence mechanism. As Elliott (1975) painted it so well for African and Asian societies, education raises the hopes and vision of many families to dream far beyond reality. Most children are entranced to enter the race, and a tiny number make it all the way through to high status jobs. Many make it some part of the way and do improve their life conditions. But all who participate sanction yet another institutional skewing of resources and rewards that serves to perpetuate the relative poverty of most, albeit at a higher absolute level. In Peru, the educational system legitimizes the entire socio-economic, cultural-linguistic prestige structure (indigene-cholo-mestizo-criollo) as not only a positive achievement structure (and normative reality) but as the only one. Given the alternative models of Freire and others, AID's development designers are up against yet another basic conflict in the pursuit of human rights for the world's poor.

The conventional developmentalist school has long regarded rural-to-urban migration as a relatively positive process. According to this rationale, peasants

get better paid jobs and greater possible access to needed social services; by leaving unproductive rural settings, they supposedly leave more land and productivity to be shared by those who stay behind. The latter is not usually the case, but this is not the basic issue at stake. What is happening is that rural society is losing its most adventurous and often best trained human resources; it is these people who might have forced change if they had to stay home under open-ended impoverishment. Andre Frank (in Stein, 1974:43) has shown aptly how such a force for change becomes, through migration a force of status quo.

Those persons in underdeveloped countries who have migrated from country to city or moved from a lower economic and social status to a higher one often say in one way or another that they have made their own individual reform or revolution. In so doing they express not only the conservatism which reflects their desire to maintain their newly gained position but also a fundamental social scientific truth which seems to escape the attention of diffusionists and others: "social" mobility is really individual mobility and does not transform social structures: rather, a change in the social structure may render possible social mobility and economic development.

Migration does in sum nothing about the fragmentation and distrust, the vertical patron-client ties, and the way both distort the peasant's perceptions of possible change. Migrants may send money back to rural families. They even return to villages and apply enhanced skills to promote change. But the cumulative impact of all of these related processes is on balance one of perpetuating relative poverty for many.

What one comes to from this bleak assessment is a considerable respect for the world system's ability to maintain the prevailing distribution of wealth and power. Confidence mechanisms with their elegantly flexible nature give enough substance to the illusion of realisable progress that most people are fooled into passive acquiescence if not active support most of the time. But AID's mandate to create development intrusions to support the poor majority cannot be deterred

by such philosophical and psychological complexities. The task is to design ways of encouraging the cooperative spirit and social mobilization that are inherent to the participatory strategy and structural change without which the poor will be permanent losers; these themes are developed in Parts III and IV.

D. The Urban Poverty World

The most recent public World Bank estimate (January, 1978) is that 55% of Peru's 16 to 17 million people live in urban areas. The plethora of literature on the settlements ringing the core of Lima hides the enormous variations in urban conditions in Peru. There are inner city slums where people are worse off. Scattered all over Lima are several hundred thousand domestic servants living in semi-bondage (and in need of legal services). Conditions in secondary cities show similar disparities. Brownrigg (1974), Roberts (1975), and Appleby (1977a) show the disparate results of the varied types and rates of industrialization that is not planned for the welfare of people. But the greatest concentration of urban poor is in Lima, and the well developed literature on their condition encourages this analysis to focus on the residents of the barriadas.

The population of Lima is now at bit over four million, of which about 25 to 30% live in squatter settlements call pueblos jovenes (young towns), or barriadas, ringing the older core of the city. Despite appearances these are not slums but, as a personal communication put it, exercises in slowly paced do-it-yourself middle class housing at various stages of completion. To devise effective development intrusions for poor people whose livelihood is tied to the bureaucratic, service, and industrial world means in effect to challenge the overall industrialization and economic policies which create the parameters of the possible in the urban economy; this has been attempted in Part I and will be returned to. What is also important for development designs is a more minute look at the specific

political, economic, and social needs of the urban poor and how they seek to meet them.

First it seems appropriate to restate the regional disparities as graphically as possible to indicate the flexibility of the word poor. Thomas (1978:66) has just prepared several tables based on the 1971 census to make this point clearly; figures are deflated to make the relative comparisons as realistic as the data permits.

TABLE 9
Poverty Index Based on "Low"-Regional
Absolute Poverty Levels
(1971; in soles)

	Peru	Lima	REGIONS		
			Coast	Sierra	Selva
1. Absolute Poverty Income Level	s/2869	5172	3825	1739	2222
2. Percent of Population with Incomes Below	s/28	8.1	20.5	35.8	28.6
3. Median Income of Poor	s/1342	3926	2730	847	1231
4. Average Income of all	s/9400	20,000	9,205	4681	6605
in 1971 US \$	242.9	516.8	237.9	121	170.7

Source: Winder, 1978:66, Table 22.

It seems clear that most of the poor in Lima, even most of the poorest who live in the inner-city slums, are marginally better off in statistical terms than the poorest 20 to 40% in rural areas; for fewer of Lima's poor fall below an absolute poverty level, as determined by the IBRD working paper. Given the ups and downs of political and economic crises in the cities it is not clear how valid any comparison is.

Life for the Lima squatter residents, or pobladores, appears at first to be characterized by a number of natural cultural advantages. Collier (in Chaplin ed., 1976:175-6) enumerates several. Limited rainfall minimizes the threat of disastrous landslides. Initial houses constructed of estera mats with minimal straw roofing can survive. The temperature is not severe. Much vacant (albeit owned) land on the periphery is a desert; space is not so much at a premium so a few "barnyard" animals can be raised, easing the financial transition. The social situation is as propitious, as Collier (in Chaplin ed., 1967:176) notes.

Because groups of relatives, friends or people from the same province often join together in the formation of settlements, and because new arrivals often come to join relatives or friends in the settlement after its initial formation, the settlement resident tends to be surrounded by a network of friends and both real and ritual kinsmen, forming a supportive social environment. The existence of this environment, and the presence of many opportunities for community improvement through self-help - improvement both of individual houses and community facilities - leads to a high degree of cooperation among neighbors, and to an ideology of self-improvement which is commonly expressed by leaders of settlements and actively encouraged by the government and private agencies that work in settlements.

One question to be addressed in the following pages is whether this ideology is not also a confidence mechanism to keep attention focused on symptoms rather than causes.

The political perceptions of the pobladores flowed from this microcosmic setting and ideology. Surface needs are obvious: roads, water, sewers, electricity, security of tenure, police, health care, schools and comparable necessities. Dietz (1977:65-71) defined three levels of pobladores political activity in pursuit of such goals. Initially they participated in community related projects. Next they entered or created local organizations to address one or a group of problems. When this proved insufficient, they began to make demands on the larger political system, principally by petitioning the responsible official in the government agency overseeing the nuevos invernes.

What impressed Dietz in his investigation was how politely demands were made to the larger system. A modus vivendi had evolved wherein the pobladores tacitly recognized that the government had a great deal of physical power that it could and would use to quell disruptive behavior. The government conversely recognized that there were a very large number of pobladores who were very close and very poor and who could see the wealthy life style of Peru's urban elite every day. Mass demonstrations and strikes frequently proved the vulnerability of the modern sector; episodes in February 1975, April 1976, and July 1977 are only the most recent as of early 1978. Abetting the pobladores as well is the Revolutionary Government's need to for political support.

For the last decade the government has responded favorably to pobladores efforts to cope with their situation. In marked contrast to efforts prior to 1968 (see, for example, Bayer in ed. Chaplin, 1976:235-38) and in stunning contrast to the perceptions and actions of SINAMOS toward the rural poor since 1968, the officials of the national agency for the pueblos jovenes, ONDEPJOV, see the pobladores as human beings capable of autonomous creativity. In its initial statutes Dietz (in ed. Malloy, 1977:418) found

Nowhere is eradication mentioned, and nowhere are the settlements interpreted as something to be denigrated. Rather, much is made of the fact that the squatters have taken the initiative to solve their own problems, and that therefore the proper role of the government is to collaborate, assist, and coordinate these efforts, working within the structures and the conditions which the pobladores themselves have created.

ONDEPJOV is thus not like a U.S. urban renewal effort but rather like the Inter-American Foundation in philosophy.

The poblador response to concrete assistance like the securing of land titles has been markedly self-effacing, proving that the freedom, the need, and the encouragement for creative autonomous behavior does not necessarily produce it. Old

deference to authority dies hard. The poblador knows that many services take a long time to push through bureaucratic channels and many elements of his legal position are weak. Courtesy and the appearance of lawful and peaceful intention are seen, correctly or not, as a more effective strategy toward officials than is belligerence. Modest demands are met by modest responses. The combination of poblador vulnerabilities and government pragmatism results in an evolutionary progression by individuals to cope with conditions of personal need but not with the processes that created such conditions.

What this amounts to is yet another form of confidence mechanism. It is more subtle and sophisticated than those facing the rural poor. It operates on a higher level, allowing more hope and allocating more tangible rewards. Within the authoritarian national framework pobladores receive more than their visible weaknesses as a group might suggest. But they also partake of a mutual dependency with the government, a bribe in other words, that works most of the time against any challenge to the overall forms of structural aggression and unequal exchange which perpetuates their group position as a whole.

It would be appropriate to support such a thesis by showing how the government policy of granting social services for individual poblador or for communities was contradicted in a specific sector of the macroeconomy by policies which contributed directly or indirectly to create fewer job opportunities and high prices for the poblador. One very specific example, provided the author by one who lived through much of it, was the government handling of gasoline prices in 1976 and 1977.

The government had stabilized some outlying pueblo jovenes by providing social services. It also subsidized gasoline prices to help commuters by keeping down micro and bus fares; Petroperu was supposed to balance the subsidy with good long term export earnings. As noted previously this was a false premise. The government

decided to raise gasoline prices to recover the loss. It tried to force the "counter-revolutionary" micro-owners and coop bus lines to keep fares down by threatening to revoke their transport licenses. Riots ensued at the pumps, and the prices of fares went up, doubling two years in a row. Pueblo jovenes residents on fixed or pegged salary levels paid and suffered. Riots brought curfews, and people were shot trying to save money by walking to and from work. Night school, one of the attractive lures for self-improvement in Lima, was effectively stifled.

A second and broader example is provided by multiple aspects of industrialization policy. A most detailed study of events between 1970 and 1976 is that by Abusada-Salah; the 1977 paper cited can be supplemented by his 1976 Cornell dissertation. He found that the reform laws of the early 1970's brought unprecedented government control and promised various changes in the form of organization and ownership. This led to a long period of uncertainty wherein long range investment plans and social concerns were down-graded in favor of short term profits. The General Law of Industries and the idea of a Social Property Sector did intrude on price, investment, profit, and wage decisions. But very generous tax incentive and tariff protection were given in exchange. The rules of the game have been reestablished; the paperwork is much greater, and industrialists continue to push for changes in the reforms.

The poblador, as potential employee or consumer, has been hurt far worse. The Labor Stability Law makes it virtually impossible to fire workers. That encourages investments in capital intensive methods as one of several complimentary processes shifting factor prices. Abusada-Salah (1977:35) links them all in this manner.

On the one hand, labor legislation has raised the price of labor relative to that of capital. Moreover tax and tariff exemptions coupled with subsidized credit have caused the price of capital

to remain low. Finally the pressure to reinvest stemming from the Comunidades Industriales has reinforced the other policy elements that modify relative factor prices. Thus causing the entrepreneur to choose labor saving techniques.

One result is that the magnitude of new jobs created bore no relationship at all to the human needs of Lima or the modern sector. Firms with 20 or more workers received 20.5 billion soles of investment (Abusada-Salah, 36) during 1972-1975 which added a total of 4,803 jobs or 4.3 million soles (US \$ 111,111) per new job. This is about 4 times the average cost of a new job in the United States. A second result was the creation of an under class of workers. When new labor became critical, seasonal labors were put on for three months and then fired before they could gain protected status. Antagonism must result.

The poblador as a consumer is also hurt by certain aspects of prices distortions caused by the high tariffs in place. Absada-Salah (16) argued that

given the prohibition to import and in the absence of local competition or effective price controls, the domestic producer enjoys virtually infinite protection which enables the firm to raise its prices to the highest possible levels compatible with profit maximization given the characteristics of local demands. If the good in question is an intermediate input, the user will not mount great resistance to price increases since he is also protected by the RIM and able to raise his prices. This process ends with the consumer of final goods financing a great deal of the profits and/or inefficiencies generated along the productive structure.

This domestic version of transfer pricing results in both higher prices and several kinds of intentional and unintentional inefficient uses of limited capital that very clearly declare how the government intends to address the human needs.

One can argue the government's competence to direct a mixed economy toward any specific goal, but one cannot say it does not know the human results. The Ministry of Labor's own figures on metropolitan Lima, as reported internationally in 1977, show that the sum of open unemployment and underemployment between late spring 1971

and early spring 1976 stayed between 26% and 36%. Even as gross estimates of purely urban needs, they are a clear symptom of the fundamental structural inabilities of the development model to meet human needs. As clearly they show the very finite limits of the pobladores' self help efforts and the governments response there to.

A more complete analysis would conclude that some macroeconomic policies probably help the pobladores and inner city slum residents to some degree. Some barriadas are probably led by such dynamic politicians that the government comes out second best in any confidence mechanism. Most barriadas get at least some of the social services. But the sum of these measures are stop gaps. They are at heart defensive modernization designed to undercut or destroy the ability of these new minicommunities to organize larger or more effective demand making. Collier (in ed. Chaplin, 1976:199), one current analyst of urban Peru issues, concludes that

The data on Lima suggest that the government's policy of involvement in settlement formation has been an important part of this political context, and that it may have contributed significantly to the political passivity of marginal urban groups. The data thus suggest that public policy is a significant factor in explaining the political consequences of urbanization in Peru.

By allowing no creation of effective supra-barriada organizations to transmit grievances and fight for policy changes in top government circles, the Bermudez government is forced to navigate the current crisis blind. It must guess how much the urban poor will tolerate in austerity measures before they again paralyze the city by strikes and demonstrations. If one were seeking evolutionary rather than revolutionary change, a more inappropriate strategy is difficult to conceive. For international development designers, if the struggle for human rights like employment for the urban poor is going to be anything more than palliatives for a

few of the worst symptoms, it means challenging the overall macroeconomic strategy of the principal accumulators, the IMF, and the foreign banks. The more policy makers contemplate what such a challenge entails the less utopian it will look.

E. The Amazon Tribal Peoples

As a matter of moral principle the plight of the various Amazonian ethnic groups should be considered by AID's international development analysts. These Indian groups merit attention because they are very weak members of the world system in a fringe area where the rule of the strong has long prevailed. A logically consistent application of a broadly based human rights policy must include their right to reject cultural suicide, environmental destruction, and the most unequal forms of exchange brought by the modern world. It should not be philosophically or operationally impossible to conceive that one or several groups who have fought four or five centuries in a losing battle for security, land, and resources deserves such basic rights. AID's worldwide humanistic activities thus might well include the educational and political activities vis-a-vis the Peruvian government that seem merited.

The comments that follow are primarily the work of Bodley (1972) who did his field research between 1964 and 1969. Varesa (1972) is another major source on the ethnic group to be considered. I hope AID officials and others can and will update them with other materials from the International Work Group of Indigenous Affairs (IWGIA) in Copenhagen and from the journals cited in the Handbook of Latin American Studies 35 (1975:127-8).

Bodley's research centered on the Arawak-speaking Campa Indians who a decade ago had a population of about 21,000 scattering over 20,000 square miles of rain forest in the upper Ucayali drainage of eastern Peru. Rejecting early missionary inroads, they have been struggling to combine shifting slash and burn agriculture

with hunting and gathering against even greater encroachments from the outside. Very limited political organization and widely scattered human settlement made physical defense impossible. The sheer number of Campa, one of the largest Amazon ethnic groups remaining in Peru, and their clear sense of their own cultural identity prevented them from being swallowed up and destroyed as many smaller groups have been.

The Campa territory, as part of the Selva comparatively close to Lima, received early settlement attention during the eastward expansion between 1870 and 1920. Franciscan missionaries and coffee growers led the penetration before World War II; rubber growers and oilmen have provided further incentive since then. Research by the government agency ONERN, with help from AID, found that areas where independent Campa still survive would be unprofitable and ecologically inadvisable to develop. But the international Marginal Highway, now said to be largely complete except some heavy bridges (Horna, 1976:418), may attract settlers and cash crop activities to this territory.

In the face of ongoing physical and economic violence, the Campa adopted three principal responses to the modern world. Some retreated to hold on to a proven lifestyle and traded with other Campa for what ever few items they needed. Some have established debt ties with settlers; they trade on unequal terms the forest products and labor for modern goods. A third group has more fully entered the market economy, often under missionary auspices. Bodley (1972:6-7) estimated that 2500 fell in the traditional category, 7750 in the patron category and 10,750 in the market economy.

Behind these numbers lie a long history of epidemics, wanton killings and slave raiding which served to depopulate various areas and make the remaining Campa easy targets for labor recruiters. The breakup and disruption of minimal

trade lines also encouraged Campas to seek economic alternatives. Bodley's surveys indicate widespread migration, clear declines in the size of households and apparently also declines in birthrates. The sum of these processes appears likely to have produced an overall apathy antithetical to growth or survival.

These contacts worked in less obvious ways as well to undermine the traditional Campa socio-political community. The Campa had been organized in small groups of related households with warrior chiefs who planned physical moves and defended against antagonistic neighbors. Such an arrangement fit well the ecological needs of slash and burn production. Major depopulation and disruptions destroyed the ratio of man and land and began the disintegration of communities. A handful of beleaguered communities are now left. Preferred marriage patterns are hindered by the absence of brother-sister exchanges, cross cousin pairing, and polygyny. Despite the potential available land the cultural group is disintegrating.

One cannot even have the satisfaction that the Campa who have found modernity are encountering much that is positive. Working for a patron means far less time for and far less productive hunting. It means constant travel and family separations. It means being cheated on the prices of miserable consumer goods and on compensation for labor and forest products. Two years of cutting mahogany in return for a \$25 shotgun which soon deteriorated in the tropical climate was one example. Patterns of debt bondage are hard to break. Old age brings dismissal. Left are bitter memories and a few relics of the new culture. A balanced portrait would add that some of those in the market economy have, via mission schools, begun a cultural transformation. There will be some successes. Others have adopted entrepreneurial skills to raid the jungles for commercial skin, meat, and live animals (for dealers). Others have worked in lumbering or farm activities. Must all undertake this course of cultural suicide?

The Campa are not alone in this dilemma. Another report of the IWGIA series (No 10) lays bare the case of the Aguaruna in the Alto Marañón who roamed 22,000 sq.km. until government sponsored colonization and land speculators moved in to wipe out the Aguaruna's balance with nature. The use of DDT killed domestic animals; curbing hunting areas forced too frequent movement. In sum the disruption of the ecosystem led to ethnocide. A third report (No 16) in this series details the struggle of the Amuesha people in the Quillazu valley along the Chorobamba river. They lost to modernity in the late 19th century via hacienda encroachment. Promises over the last decade to permit the return of lands to 47 communities and 681 families were unfulfilled as of the 1974 publication.

The Peruvian government, as do many others worldwide, faces considerable practical and philosophical problems with all such groups. The special Bureau of Native Communities set up in mid 1971 (Varese, 1972:20) established the legal and political rights of all Amazon groups. Such guarantees and those of economic rights and state assistance cannot be effectively implemented in an institutional and political vacuum. The mid 1971 bill calls for a series of federative units to be created as recipients of federal aid. That would require a considerable government presence both to mobilize the ethnic groups and to counter the prevailing local settler economic and political groups. This author was told that elsewhere in Peru there are examples of minorities, when given the same land base right in cooperatives as the settlers, making a highly successful cultural adaptation or ethnogenesis.

But significant forces within and outside the government still speak of the Selva as a frontier with all the exploitative connotations the word often carries. These forces have and likely will find it advantageous to offer isolationist or reservationist solutions for the tribal groups that will perpetuate the highly un-

equal barter systems for forest products. The strength of these forces is such that political mobilization of the Indians to defend themselves is paramount. It is not a situation that can be resolved with assumed harmony. A useful first step would be to pull together all available operational models of how the government might go about implementing the 1971 law. Even this may not be easy.

IV. The Current Generation of International Development Activities in Peru

A. The Basic Contradictions and Confusions

The observant reader has by now realized that this essay is faced with some severe contradictions. They add up to this.

- If one grants the demonstration of an ongoing and evolving world-system, largely but not entirely controlled by core societies at the expense of peripheral ones like Peru, how can international development institutions, themselves part of the apparatus of the world-system, pursue goals in large measure antithetical to those of the system?

The short answer is they usually cannot, at least not by large scale capital transfers to Third World governments. For all of these governments are themselves part of the system and therefore part of the problem. The solution in brief for AID's development analysts to live up to their legislative mandate is to seek out and use the flaws, cracks, and crevasses in the system to help the poor where they can. At the same time individuals must defy the laws of bureaucratic reality and begin the reeducation of other elements of the system toward more humanistic norms that can become the basis for changing the goals and operation of the world-system, change that will work toward a far more clearly defined and shared vision of a world we might strive for by the year 2000 or 2025. The remainder of this essay will explore ways in which development activities can contribute to such an out-

come or conversely serve, through design or imperfect vision, to perpetuate and strengthen the prevailing world-system with its manifest drives to produce such enormous wealth with so little human understanding of the resultant costs, particularly that of the far more productive and equitable future it precludes.

Such a discussion requires clearing away a few more of the shibboleths which are conventionally called analysis. The most pervasive and counterproductive is the supposed harmony between parts of the system. Governments, corporations, and banks are NOT in the development business to improve the lives of poor people. Mainstream Washington discussions of development, in AID and IBRD literature and elsewhere, badly understate or misstate the implications of this reality.

Corporations and banks are in business to accumulate capital. The low wages and other aspects of unequal exchange encourage investment in peripheral societies like Peru because it is more profitable than investment in core states where other groups and forces in society protect themselves slightly better. What are most profitable in Peru are capital intensive exporting operations. Helping poor people can mean creating potential consumers, but more likely it means a drain on perceived scarce and finite resources. The unspoken assumed reality is that resources and wealth are now finite; but that is true in large measure because society has failed to invest in the human centered technology to make them infinite. The rich want to preserve their present lion's share. Not all banks and corporations are so limited in vision; AID, for one, could find a few appropriate examples of more humanistic corporate alternatives by diligently searching its world wide experiences. But to design development intrusions to include corporate and bank involvement as central to reaching and helping poor people is simply contradictory. Businesses cannot be criticized for doing what they said they were going to. It's the international development analysts who are confused.

A similar confusion exists towards recipient Third World governments. The prime directive of any government is not to help its poor majority but rather to stay in power and enjoy the fruits thereof. In the contemporary world of the periphery, given the world wide revolution of rising expectations and the very limited real resources, government, as a major mediator of socio-economic conflict, faces incredible problems. Desperate poverty and the consciousness of economic inequality are inherently revolutionary pressures. Repression and party-less bureaucratic rule as depoliticizing mechanisms are not permanent answers. Both the parasitic ruling classes and the have-nots continue to struggle for the same insufficient surplus. Much of the visible radical rhetoric of the rulers thus becomes a defensive radicalism. Indeed, as one of my critics put it aptly, in cases like Peru and Brazil, the government propaganda has so monopolized the prevailing public rhetoric as to distort quite successfully the meaning of all "revolutionary" vocabulary.

A number of Third World governments have from time to time fought to gain a greater share of the surplus from the world market. Nationalization measures are a common means; debt entrapment and IMF-led austerity plans and devaluation are the most frequent counter attacks by core-controlled institutions. Peru in the last decade is an excellent example of this conflict unfolding.

The net result for poor people is that they are seen as basically a problem, not as citizens deserving human rights. Government development activities thus become a mixture of paternalism and defensiveness. However, virtually no government is a monolith. Pockets of humanistic vision and action exist in both public and private institutions; AID's designers pursuing their mandate would not be without allies in perspective and action.

AID must be similarly selective in its alliances with institutions and groups of all kinds. AID's mandate is clearly one of development. That demands basic policy consistencies. Governments, banks, corporation, State, Treasury, Agriculture, and Commerce are not in the development business and should not be looked to for guidance or real support. A second guideline is to stop speaking and acting as though politics and development are separate issues and AID can act as apolitical technicians. A third is to talk about the real world and all its warts in a theoretically consistent and empirically defensible way.

Using the brief country narrative and data of the FY 79 Congressional presentation on Peru (816-818), such a discussion would be redesigned in these ways. The statistical data should be reasonably correct. Stated import and exports from the United States, for example, are not as shown. Standard public IMF sources show imports from the U.S. in 1974 were \$478 million not \$17 million and \$854 million not \$24 million the next year. Defense as a % of Peruvian government expenditure in 1973-1975 was not 19.2%, 18.9%, and 21.5% but, as Table 5 indicated, 24.9%, 25%, and 28%; very likely it was more with extra-budgetary outlays. The narrative essay must also be cleansed of severely disprovable or overstated assertions; even a casual reading of parts I and II herein will demonstrate that while Peru has taken some tangible steps for the welfare of the SAIS and CAP's, it cannot be said "to have created the basis for a future of growth with equity." An extended refutation of conventional AID or IBRD country review would wear out the energies of both the reader and the author; the interested can compare this report with the new IBRD study said soon to be published. What is necessary here is a summary of the deeper methodological flaws as preamble to coming to grips with project analysis.

Normal AID and IBRD analysis divorce politics and economics. They assert harmony where there is conflict. Poverty is just there. One has no idea that it is being

created and sustained by active forces; the roles of various accumulators and confidence mechanisms are omitted. The export - led growth mode? is assumed; no discussion of its diastorous impact on jobs and human needs is visible. Unequal exchange does not exist because Samuelson said so. The rhetoric and philosophy of a government is what they are doing - never mind conflicting evidence. Life and reality can be painted in black and white; grey might confuse the Congress or the public.

The discussion and implementation of projects can be reduced to a similar series of simplicities. A statement of goals suffices. Target plus money equals success; process is an alien and needless perspective. Symptoms are what one discusses; what are causes? Poor people can be reached from the top down; we know whats good for them so they don't have to participate in decision-making. Absence of visible resources means external resources are imperative. Everything should therefore be done to encourage foreign banks and companies to invest; it would be highly inappropriate to point out in more than the most oblique terms the socio-economic organization or high bureaucratic salaries or any other structural blockage that, if removed, might allow the society to develop via self-reliance. It would be equally inappropriate to recognize political, ideological or cultural factors as integral to coherent analysis. Projects are economic exercises. The values, motives or abilities of the technicians, bureaucrats, and designers, are not a subject of analysis; only the economic abilities of the target group are of concern. Results are measured in statistical, rate of return, cost benefit analysis. Rarely in this entire bureaucratic process are average people consulted.

To be sure the last two paragraphs create a bit of a caricature. Not all AID or IBRD writing is so unsophisticated and antiquated in all of these respects. But this synthesis is, I think, a fair rendition of the methodology and perspective underlying the vast bulk of reports, even those purporting to analyze and implement New Directions policy. This paper intends, as concretely as possible,

to move the discussion to a more defensible overall paradigm by synthesizing an alternative methodology for determining what constitutes a successful and positive international development activity.

B. The Basic Theory for the Operational Alternative of Participatory Development

The initial element of a typology I take from an essay on Ecuador by Keith Griffin (1976:172-220). He creates a useful first order classification of policies and activities under three broad categories: ameliorative, technocratic, and conflictive. The current legislative mandate calls in section 102 (C) for a "strategy that aims to increase substantially the participation of the poor ... and otherwise providing opportunities for the poor to better their lives through their own efforts." The definitions of each of Griffin's terms makes it self-evident which kind is consistent with the mandate.

The definition of ameliorative policies (Griffin, 202) reveals how neatly such activities fit into prevailing confidence-mechanisms.

The main characteristics of ameliorative policies is that their primary purpose is neither to raise total product nor to change fundamentally the relative bargaining strength of conflicting groups in such a way as to alter the distribution of the product. Total output and the distribution of income may change as a result of implementing ameliorative policies, but these changes are essentially by-products of measures which were designed to raise the welfare of selected, and usually quite small groups of campesinos. Typical ameliorative policies are minimum-wage legislation; price supports for agricultural policies; housing, health, and family planning programmes; and rural public works schemes.

With ameliorative policies the poor may participate in a larger share of social product, but there is no catalytic, self-sustaining element at work. Prevailing confidence-mechanisms will continue to chip away at the value and utility of the larger share. Some elements of relative deprivation may diminish momentarily, but they in no way compensate for the reverse systemic biases inherent in unequal exchange.

Technocratic policies are those designed to improve total incomes through a growth or production-centered strategy. In days gone by this was termed "trickle-down" development. Resources go to improve the efficiency or productivity of the non-labour inputs of production and to improve marketing and export facilities. Griffin's Ecuador discussion covers (205-211) hydroelectric investments, irrigation, mechanization, anti-labor credit and interest policies, seed certification, roads and storage facilities. Some temporary employment is created for the poor. The tangible permanent benefits are legitimized through prevailing confidence mechanisms. The results are not surprising. Disproportionate shares go to the wealthy and medium scale entrepreneurs whose capital-intensive structure of production can best afford and use the inputs. The rich get richer. Through their successes they drive down the incomes of the less competitive poor, cut the number of jobs by mechanization, and solidify their hold and power over the local and regional confidence-mechanisms that skew the allocation of resources and services. At best the poor get richer in absolute terms but grow poorer in relative term.

The third category of potential development activity is the conflictive policy. This is a policy which works to redistribute wealth and income or serves to enlarge the ability of a group to participate more effectively in the processes of distribution. Such policies are conflictive because those now monopolizing wealth, power and access thereto are likely to oppose them as perceived or actual threats to their position. Conflictive policies are those of social mobilization that help the poor to help themselves and those of structural change like the Peruvian land reform replacing latifundio with SAIS and CAP's. It is conflictive policies which are quite clearly the legislative meaning of sections 102c; given

the enormously chaotic and mutually conflictive nature of the remainder of the current FAA legislation, it is not surprising that AID might feel confused as to congressional intent. But the overriding sentiment of New Directions is to channel aid to help the poor majority, particularly the poorest of them. That is a sufficient mandate to disallow ameliorative or technocratic policies and projects.

One is still left with the need to define in an operationally functional way the nature of a conflictive development activity. The Washington-based Development Group for Alternative Policies has just explored this question. Under the rubric of participatory development, they offer an initial set of nine characteristics which such development policies or projects should meet; this author adds to and refines them in the following manner.

The organization receiving funds or carrying out activities should have clearly defined and operational participatory mechanisms; a significant percentage of a target group, perhaps all, should participate in the process, not just be passive recipients. The institutional linkages with the larger system should be clearly functional for those at the bottom; the aid recipient must have the real or potential authority to protect his grant and to increase access to whatever additional resources are necessary. The technical and organizational aspects must be feasible in terms of the socio-cultural environment; mestizo-controlled local groups in Peru may not be a feasible way to reach the poorest and most illiterate Quechua and Aymara. The project must reach some standard of ecological soundness as well. What that standard should be requires far better determination of criteria for environmental impact studies and allocation of adequate funds for research.

Development initiatives ought to demonstrate in their design certain specific potentials. One is the potential for self-reliance. Another is self-sustainment. A third is the promotion of self-learning. If the participants cannot learn to

stand on their feet, keep the project going, and keep on learning how to improve it, then the resources so allocated are little more than ameliorative solutions, palliatives that make the overall confidence mechanisms of a particular group easier to bear for a given period. But asserting such criteria is far easier than developing standards useful for their measurement. This very much needs to be done, and the work of the Interamerican Foundation is only a rough beginning.

Finally, development initiatives must consciously and vigorously guard against possible negative results that would harm the welfare of the poor. How much economic dislocation or job and home destruction would be tolerable against some larger social goal is not a trivial question. Such decisions have traditionally been handled in an elitist fashion not at all in the spirit of participatory development. International infrastructure projects have been designed and completed with relative oblivion to the way in which land values change, promoting speculation, tax fraud, and land concentration. Without specific knowledge of the local accumulators, their activities, and their links to the larger system, the best designed projects can also be defeated or misdirected.

Very few items in the development literature this author has seen approach the evaluation of projects with the level of sophistication called for in the last three paragraphs. Even the most brilliant microstudies extant, such as Don Emmerson's "Biting the Helping Hand: Modernization and Violence in an Indonesian Fishing Community" (University of Wisconsin, Land Tenure Center Newsletter, #51, January-March, 1976), do not carry through the total systemic analysis required; Peruvian analysts would, however, benefit from this treatment of local culture conflict. And even if individual projects were perfectly designed, they would still be instilled into a world-system working the other way. National and international components of the system can best be changed, however, by people who have become citizens in the real sense of the term. AID's greatest potential contribution to the human race is thus to create as many citizens as possible through

the participatory development activities just outlines. How well the international development activities of AID, the IBRD, and the IDB measure up against this model is now appropriate to consider.

C. AID's Present Strategy in Peru from a System's Perspective

AID's present program, as described in the FY 79 Congressional Presentation, comprises 30 ongoing or commencing projects. Granting the presence of PVO projects, Food for Peace and others, this essay will concentrate on these 30 projects as the fairest representation of current AID activities in Peru. Program levels have been \$16.961 million in FY 77, \$22.876 million this fiscal year, and a proposed \$17.338 million for FY 79; Peru is thus 4th largest of 13 country programs in the region for FY 79. Study of its constituent parts must begin with a look at the country strategy that guides project choice and design. Using the FY 79 Budget Submission (of June, 1977) and the Congressional Presentation (of February, 1978), the overall strategy bears in brief form these particular strengths and weaknesses, beyond the kinds of generic flaws suggested in the last few pages.

AID's political analysis of contemporary Peru emphasizes revolutionary accomplishments which in Latin American terms seem progressive; on a larger scale the corporatist anti-participatory substance (as opposed to rhetoric) is not apparent. The forms and rhetoric of political and economic change appear to impress the analyst, but the substance represented much less change. Social property, much talked of in later Velasco years, was defunded by Morales Bermudez. The depth of political change represented by Bermudez is understated as is the current degree of political repression by Peruvian standards. The catalog of political ills even in June 1977 might have presaged more clearly the current revolutionary potential, given the availability then of debt figures. No mention is made of IMF or other international pressure affecting Peruvian policy after 1975; there clearly was such pressure.

A number of other points are well cast but, devoid of systems analysis, they describe misleadingly independent variables. One parting comment (FY 79 Budget Submission:5) does come close: "political problems have their roots and solutions in economic and social policies: and both occur because of Peru's underdevelopment and its method of trying "to achieve development."

AID's economic overview is largely an accumulation of external symptoms of crisis. The debt dilemma was termed primarily a function of misjudging oil production and of a government living beyond its means. The state's poor performance with labor, prices, and export stimulation were noted and the propriety of egalitarian social goals was admitted. But one needs to know why at each juncture. What are the accumulators struggling for, and, how are they able to shape the allocation of costs of the current "stabilization"? AID's analysts saw the uneven burdens of austerity; "the urban poor face a grim prospect of malnutrition due to declining real income" was one February, 1978 conclusion. But AID's analysts implicitly accept the IMF stabilization package as the way to growth in an uncertain future; more capital intensive industrialization is called for and self reliance never considered. Symptoms are confusedly termed structural conditions that limit future growth; the tools of neoclassical economics just don't come to grips with the concept and reality of process. If the confidence-mechanisms are not laid bare and disintegrated, all the capital, technical and educational inputs in the world will still leave an inegalitarian, exploitative, and inefficient socio-economic order.

AID rates the Peruvian Government's performance on section 102d (of the FAA legislation) as "generally high." Advances in agrarian reform, increased worker participation in industry, and population programs are cited. AID properly distinguishes the difference between political intent and performance. But this sketch, like its kin world wide, provides no analytical criteria by which to reach any defensible

judgment. In an ongoing noncommunication Congress has been trying to tell AID to develop measurable criteria of progress in meeting human economic rights to see if AID programs are helping the poor. AID conversely, has been denying the validity and utility of any universal criteria; no bureaucracy, after all, will willingly create standards which could threaten individual or collective survival. Congress, by ignoring such bureaucratic norms, has contributed to the present impasse. Without some standard of measurement, setting goals is pointless. On this issue, perhaps the most important in all of foreign aid, AID has a great deal of rethinking to do. Stating the obvious -- Peru is pretty good by Latin American standards -- is no substitute.

AID's analysis of what constitutes the appropriate development targets -- the rural and urban poor -- is right on target. The regional variations among Peru's 8 million marginal people are not miscast, nor is the "woefully under-financed" nature of agrarian reform. It is sad, however, to see such reliance on IBRD analysis; blaming the climate for lack of "real improvement" in agriculture or the lack of cash sales for dietary flaws is, at best, simplistically misleading. Focus on technical constraints leads, quite logically, to technical conclusions: "any increases in farmer income will largely be dependent on technological improvements....and from value added enterprises at or near the source of production." The second point is undoubtedly one element of a productive solution, but the first point symbolizes the archetypal myopia about history, culture, organization, normative values, confidence mechanisms, unequal exchange, and the world system which together have denied coherent analysis of international development issues in the twentieth century.

From this accumulation of data and analysis, however, AID articulates this as its current development strategy in Peru as of mid-1977 (the FY Budget Submission, 18):

(a) to improve the quality of life of the Sierra poor through on and off-farm employment, (b) to accommodate rural migration by supporting the orderly, economic development of new agricultural lands in the high jungle and the provision of basic services and job opportunities to the urban poor, and (c) to stimulate and strengthen innovation and reform within institutions whose programs have particular relevance to the poorest majority in general, but whose benefits may not accrue only to these groups.

It is on the face a technocratic strategy with some ameliorative elements. Par (c) hints at conflictive possibilities but concludes on a note which suggests something like an agricultural loan fund is in the author's mind. The mix of ameliorative and technocratic is driven home in the following paragraph. The stated major goal of the agricultural sector strategy is the maximization of production, one is left to wonder if this means anything more than additions to the prevailing confidence mechanisms. Each of the substrategies, by failing to ask truly systemic questions, is left feeling its way blindly through unrecognized and fatal obstacles.

AID's strategy is turned into a program response in the following section. Raising employment is translated into projects to raise production within three paragraphs. Some of the non-farm activities could feasibly aid the poor, but only if handled through intermediaries who meet the participatory criteria; the clear indication is that AID will work through government agencies which invariably mean that the benefits of a program will be siphoned off in the local power structure. Education programs, despite their ameliorative nature, are harder to judge; they could produce more minions for confidence mechanisms or they could be a way of creating citizens.

This AID program, like many, continues enthusiastically to support the Housing Investment Guarantee program as appropriate not only in Lima but even in rural market towns. This author has never seen an analysis justifying the existence of this program by other than the self-interested. A country that is not capable of housing its own poor in an economic fashion is scarcely likely to be doing it in foreign land. It is very clear that a producer-oriented housing project, designed to make some money for the builder, will produce either

middle class housing or slums; slums result when poor people pay too high a percentage on mortgage payments and thus cannot afford upkeep. If the Congress or the Executive wants to build such housing overseas, they should take the program out of the development assistance bill; its not development, its a middle class subsidy. What makes it particularly illsuited for Peru is that this country as Leeds (1973) clearly shows, has a highly efficient consumer-oriented strategy which utilized energies from various sources to produce culturally varied homes usually under the guidance of the consumer.

The second program focus after the Sierra poor is the migrating poor. AID contemplates production oriented programs for the Selva and ameliorative programs for the Coastal urban areas. Several of the projects have PVO's involved which raises the possibility that participatory and mobilizing elements could be incorporated if the local institutions concerned understand the nature and importance of self-sustaining development.

AID's third program focus (25-26) appears to have the greatest potential to meet the New Directions mandate. It is termed institutional innovation and reform. The AID analyst clearly recognizes the finite limits of Agrarian Reform both for the workers involved and the many left out. Some of the proposals that flow from this component represent the best of the entire AID development strategy. Cooperatives do badly need "secondary level enterprise centrales and tertiary level federations." Much thought must go into precisely what kinds of rural agro-industries are appropriate, but the goals of creating more rural jobs and providing "more returns through value added at the source of production" are appropriate. Innovative forms of credit are surely needed as well. AID must be careful that its links with American universities and agribusinesses do not bring in the kinds of inappropriate agricultural technology visited on Columbia (see Vallianatos, 1976, for example) nor push these new agroindustries into export activities where they

would lose much of their production value through prevailing patterns of unequal exchange. But if local industry could be run as social property and focus on local use items now imported into a region, all of the value created would stay in the region; perhaps this could lead to enough growth in the local and regional tax base to get localities out of the federal trough and really begin to rebalance the prevailing urban bias.

D. The Model Applied to Project Analysis

1. AID's Agricultural Project in Peru

With these few preliminary comments as background it is now appropriate, albeit foolhardy without complete documentation and some on site inspection, to try to give some preliminary assessment of potential project results, their impact on the poor, and their apparent relevance to the legislative mandate of New Directions. Congressional presentation sheets (referred to by fiscal year and page in the form CP 79-824) provide the most uniform source. They are, of course, superficial; in many cases more data comes from recent budget submissions, capital assistance papers or project papers. Despite the enormous potential for error, someone has to do such a survey for some country in order to create a rudimentary model to be refined. Thus, following the listing of CP 79-820 with a few changes, here is a first compendium.

FOOD AND NUTRITION

Housing and Urban Development (#527-0065; 1962) is one of the few that has appeared for years with no explanation. Its life is about over, and it appears by the title to be essentially ameliorative.

Agricultural Development and Operations (#527-0060; 1962), described in CP 76-252 involves planning support and leadership activities. The money (54% of \$773,000

in FY 76) went to the equivalent of 10 technicians and advisors, largely from Iowa State. That averages at least \$40,000 per person. This is an endemic problem in foreign aid implementation. It is fine for the international development and landgrant lobby; but it is hard to see how this transfer of education could be more cost inefficient for Peru. The educational product itself is impossible to judge without detail on the people involved. Is this assistance in computerizing land reform planning or is it strengthening the world system's control over its resources? One needs to know whether our training is helping self-centered careerists or public servants in the true sense of the word. In any case short courses at the local level on economic mobilization for specific community needs would be a far more appropriate activity.

Tarapota Highway (#527-0028; 1964) is another old project, oddly categorized under food, inherently technocratic, and nearly over. No data was presented to the Congress between FY75 and FY79, so one would at least like to know that it did finish in late 1977 or early 1978. Its ultimate human value depends on how production is organized in the surrounding areas of the Selva. (See #527-0163)

Campesino Para-Technical Training (#527-0143, 1976), formerly called Agro-Industrial Manpower Training, involves assisting CENCIRA in the training of farmers for leadership roles in the agrarian cooperatives being set up. How are the unresolved contradictions of the cooperative role, sketched in Part II B, being handled in this training? What normative and ideological core underlies this putatively technical education? It is hard to see that such courses, run by the government, will teach future cooperative leaders what they need most: how to make more effective demands on the system. Indeed one greatly suspects the reverse is the result, if not the purpose of the program.

Research and Development in Fresh Water Fisheries (#527-0144; 1977), described in CP 76, CP 77 and CP 78 and the FY 79 Budget Submission (56-63), is a straight forward technocratic creation of fish feed pelleting plants, hatcheries, fish farms and fish hatcheries. An \$11.17 million project is contemplated (FY 80) to follow the earlier model \$450,000 project. It is certainly an industry appropriate to add protein and jobs to the lives of Sierra poor. Ignoring the awesome part of the initial outlay that went to US technicians, one must still ask why the intrusion of such an activity will greatly help the poor if marketing, pricing, and related concerns are left to either local political interests or to the government, both of which are past masters at creating or perpetuating confidence mechanisms. How can poor peasants afford an additional outlay? Economic activity does not happen in a socio-political vacuum. The assumption of good will and fair play in this and many comparable presentations is scarcely justified. Where and how well the proposed fish species fit into the ecology would not be amiss to ask either.

Soybean and Corn Production on Small Farms (#527-0149; TQ), described in CP 78-26 and CP 79-831, is another technocratic production -- centered project designed, in this case, to establish 34,000 hectares of soybean and 36,000 of corn in the high Selva. AID's contribution goes mainly for training, so again little of the \$2.1 million will stay in Peru. The University of Illinois did particularly well. The same issues of linkage raised by the Fisheries project are unresolved here as well; just because the activity exists does not mean it will help very many poor people more than marginally.

Use of Treated Effluent for Irrigation (#527-0150, 1977) is a \$200,000 outlay manifestly technocratic in nature, but not discussed in CP 77, CP 78 or CP 79.

Agriculture Cooperative Federations (#527-0058, 1975) has been a major \$7 million project, described in a June 1975 Project Paper and in CP 76-261. It intends

to support the formation and full activation of second level federations of cooperatives called CENTRALES which are intended to provide member cooperatives with technical, marketing, and accounting services, equipment maintenance centers, and some production inputs. Loans can go for working capital, fixed assets, capital investments, and necessary feasibility studies. From the viewpoint of institution building the project has a number of positive conflictive elements; but several could be easily stifled when the key political answer becomes clear. Are CENTRALES going to be the way the Ministry of Agriculture keeps the cooperatives in line or the way the cooperatives will succeed in getting more of a share of the ultimate value of the produce? The CENTRALES could also get caught and destroyed in the crossfire or become able arbiters; and how will one tell if the CENTRALES has not become another skillfully run confidence-mechanism? Putatively one goal is to get better prices for rural products. The government however, is still in the city and, as AID's project paper admits (16), "no adequate evaluation of the impact of current government price policies on production is available" as of mid 1975. In terms of reaching the poorest Peruvians, this project would appear to affect primarily the wealthiest 25% of the rural poor, thus widening rural disparities.

Sierra Water and Land Use (#527-0059, 1976), described in a December 1975 project paper and in CP 76-262, is an \$11 million loan to improve irrigation and land use in twenty-seven sub-projects in two major river basins in the Sierra, the Cajamarca and the Mantaro. Planning, advising, institution building, and a special AgBank fund for the farmers are also intended. Although there are ameliorative and technocratic elements, the project paper gives several indications of very progressive conflictive possibilities in the implementation. The

designers clearly understand the appropriateness of medium goals not miracles and of a scale and cost of technology (63) suitable to such goals. While there is a mechanistic portrayal of givens plus inputs equal results (54), one is impressed with the depth of research completed and intended (38-38a). Particularly striking is the depth of social analysis (86-94), the willingness to make it an integral part of the project, the recognition of local conflicts (93), and the operationally convincing way in which they will be resolved through new participatory Irrigation Commissions. Subproject research indicated high participation in planning and at each stage thereafter the stage has been set for a project that at the local level would appear to approach the conflictive model New Directions calls for. More research will be called for to see how it is carried out and how the local advances interact with the larger world-system which has its own needs.

Rural Development Agribusiness Fund (#527-0159; 1977), described in the FY 78 Budget Submission (53-62) and a September 1977 project paper, is a \$10 million loan to set up "in the Central Bank a facility for rediscounting loans made by financial institutions to subborrowers which process or market agricultural products or provide complementary goods and services to the agricultural sector." Painstaking criteria are in place to loan to entrepreneurs who deal with small farmers and their needs. Growth of Carnation Milk and Nestle Company subsidiaries (72) are cited as successful precedents. This technocratic project will strengthen companies that will be in a position to encourage small farmers to raise more commercial production. To whose relative benefit? In absolute terms both farmers and agrobusinesses will gain. But the latter will gain far more. They get the capital infusion to expand their control of and benefit from the prevailing market confidence-mechanism. These are not situations where six or eight companies will compete equitably to provide a given

agricultural input to a cooperative. Both numbers and geography indicate that in most situations the funds go to strengthen the hands of a local monopolist or a local oligopoly at the relative expense of the small producer. It is good for international interests, but AID's mandate is to help the small producer. Participatory cooperative institutions run by CENTRALES could provide the necessary inputs and marketing for small farmers. Indeed the existence of this project competes with and undermines #527-0058 Agriculture Cooperative Federations, and it therefore quite possibly should be terminated.

Appropriate Rural Technologies (#527-0162; 1978), described in CP 78-270, CP 79-825 and FY 78 Budget Submission (69-75), allocates \$1.276 million for prefeasibility and feasibility studies, R and D, demonstration, and improving institutional ability. Whether it is technocratic or conflictive will depend naturally on how and by whom the project is carried out and into what form of productive structure the resulting technology is intruded. Ideally, the project could be tripled; history treats idealists badly.

Development of Subtropical Lands (#527-0163, 1978), described in CP 78-272, FY 78 Budget Submission (46-52), and a January 1975 project paper, is an \$18 million effort to increase agricultural production and (1975: 14) "to establish and test a low-cost methodology for achieving optimum use of land, labor and capital in the high jungle." About 35% will be spent on roads, 18.5 % on credit, 14.6% on machinery parks, and the rest for marketing, surveying, services, studies, and technical assistance. The project area, Huallago Central-Bajo Mayo contains about 180,000 people, 60% in rural areas and 75% dependant on agriculture, fishing, forestry and hunting (1975:51). Mestizos dominate campesinos in typical fashion; some large estates (32 over 100 hectares of 1,000 surveyed) have survived land reform thus far. This is very clearly a technocratic project

with a strong political goal - feeding the Coast; as it is the most cost efficient way of doing so, it is amazing that the Peruvian government has not allocated the money from one or two pieces of military hardware to pay for this itself. The project analysts surveyed enough to note a few disparities between mestizos and campesinos, but there seems to be minimal understanding of the need for participatory marketing and productive institutions if the poor are going to gain any greater proportion of the new wealth. As it now stands there is no reason to think benefits will not be highly skewed. And did anyone ask the slash and burn farmers if they wanted to settle permanently?

On-Farm Water Management (#527-0170; 1978), described in CP78-271 and CP79-826, is a \$27,000 exercise to create and demonstrate farm water use systems in cooperation with the Ministry of Agriculture. Its a technocratic effort which benefits small farmers if they come to demonstration trials, if they can afford the investment, and if the market system permits them to benefit therefrom. The projects addresses just the first issue. The major beneficiary is Utah State. In FY 78 one professor received \$67,000 and the university \$13,000 more. For FY 79 3 people are involved for a \$175,000 total. Is it not contradictory to to pay someone \$67,000 a year to invent appropriate technology and teach it to poor people?

Rural Agro Industry (#527-0171, 1978), only briefly mentioned in the FY 79 Budget Submission (78), would allocate \$5 million to set up a technologically innovative agro-industry involving, apparently, edible oil extraction. Its very likely to be technocratic and suffer the same flaws as the Rural Development Agribusiness Fund.

Rural Enterprise Development (#527-0057, 1974) and Rural Enterprise II (#527-0176, 1979), described in a June 1974 capital assistance paper, in CP79-821, and in

FY 79 Budget Submission (47-54), allocates \$10 million and a further \$8 million to the Industrial Bank's Rural Enterprise Fund. The stated goal is job creation in poor regions by means of loans to reduce entrepreneurial and management constraints on rural business. The 1979 project will improve on the earlier one by weighting employment generation more highly in lending criteria. In the analyst's 1979 vision, jobs seem to come only from public works and private enterprise. Deep within the 1974 study (85-7) are three loan targets: small industries, commercial and service enterprises, and organizations (communities, cooperatives, SAIS, etc.). The crucial question to ask is what percentage of the money thus far has gone to the last category. For support of the first two, devoid of any other change in regional economic structure, serves the core societies by strengthening the outposts of the world system. The poor in the Sierra and Selva get some jobs and raise their welfare an increment, but it is disingenuous to assert that this is the only or optimal way to improve the quality of their lives.

Integrated Regional Development (#527-0178, 1978), described in CP 79-823, allocates \$6 million in an ameliorative effort to improve local and regional urban planning and, through the Housing Bank, to provide capital (\$5.5 million) for subprojects approved by regional plans. The quality of the outcome and the degree to which it forces Peru from a consumer-housing approach to a producer-housing approach will depend on the quality and social responsibility of local authorities. Given the top down approach, the integral role played by a government bank, and the absence of visible participatory mechanisms, there is no reason to expect more than a marginal impact on the poor.

2. AID's Other Projects in Peru

POPULATION PLANNING AND HEALTH

Responsible Parenthood Medium and High Risk Mothers (#527-0145, 1976), is described

in CP 76-257, CP 77-270, and FY 78 Budget Submission (93-99). It has been followed by National Responsible Parenthood Program (#527-0160, 1978), described in CP 78-274 and CP 79-827. Both should probably be termed ameliorative with conflictive potential. The earlier project sought to provide training to Ministry of Health staff, contraceptives, education material and equipment, and related services. The current project has a larger mass media component. As one element of an effective systems approach to poverty, AID should continue such efforts. In the current context Peru looks good by Latin American standards, but the economy as a whole is too geared to and controlled by the world-system to deal with poverty to the degree necessary to destroy the perceived need to have children as security and labor. AID might consider expanding these population efforts in a more complete paramedic course geared to the needs of the rural poor the way the Swiss have been doing in their model project in Puno (Reichmuth, 1977) since 1971. The concept of health promoter seems the appropriate response to the needs of the poor, given the elitism and social myopia of most of the established, urban-based, medical hierarchy. The Chinese barefoot doctor is the best world-wide example. Rural Water Health Service (#527-0177, 1977) appeared magically in the CP 79 tabular survey with no explanation; it is a \$200,000 FY 78 allocation that appears ameliorative but could be more.

EDUCATION AND HUMAN RESOURCE DEVELOPMENT

Bilingual Education (#527-0146, 1975), described in CP 76-259 and CP 77-273, has allocated \$636,000 to help develop and test instructional materials in Quechua, for both children and adults. By creating written materials in Quechua and re-training teachers through the new Bilingual Education Unit, the combination of government and AID efforts would seem to have made one stride in overcoming the cultural and practical obstacles to far better education for some of the Quechua

poor. But one needs to know which Quechua dialect and what percentage of the whole does this represent. Where and how competently were these studies done? What ideological and normative bases underlie this cultural engineering?

Education Service Centers (#527-0148, 1977), described in CP 79-828, allocates \$1.59 million in a contribution to the Peruvian Government's efforts to promote fuller local participation in education by the creation in each of Peru's 803 school districts, of a service center that will expand the abilities of the central school of the district to help upgrade the district's primary schools. The cost of treating each school separately makes this approach more appropriate. AID is to contribute to four such centers. Given the average center cost of \$720,000 per center, this means \$579 million for the whole country and thus still a considerable outlay. This project has very positive potential but it could easily be preempted by local townsmen dominated systems to the enhancement of prevailing confidence mechanisms and the comparative disadvantage of the poorest communities. It would be interesting to see how participatory the decision-making and resource distribution of these centers is in practice.

Decentralizing Education Planning (#527-0158, 1976), described in CP 77-272 and CP 78-275, allocates \$957,000 to facilitate a process that seems inherently participatory and therefore serving the conflictive development model. Educational planning functions should be decentralized as far as possible. A mild criticism might be the degree (and therefore expense) of out of country training.

Preschool Education for the Disadvantaged (#527-0161, 1978), described in CP 78-276, CP 79-829, and the FY 78 Budget Submission (76-86), is an ameliorative program from the perspective of not addressing the conditions that create the next group of disadvantaged children. But from the vantage of those affected it is highly participatory and beneficial. Money will be a key constraint on

widespread use if and where volunteer's energies flag; perhaps such roles could be institutionalized on a shared basis. Parent involvement is integral to the program's success. Could the Ministry of Education afford one specialist per district to act as local catalyst to provide teacher and volunteer training and some modicum of quality control?

Rural Job Skills (#527-0165;1979), described in CP79-822 and the FY 78 Budget Submission (86-93), allocates \$685,000 to add programmed instructional materials to help SENATI, Peru's foremost job-training institution, to expand its activities from urban needs to rural and small industry needs. Its an ameliorative program with at best mixed blessings. Even if one posited that a little of the training reached people whose intention had been to return to community organizations and strengthen them, its more likely after training they would go where the money is. The preponderant effect of SENATI, even in this modification, is to use nominally public money and foreign aid to train labor for private industrial profit. Private industry thus avoids yet another production cost. It demonstrates already its acceptance by paying the special tithe which now underwrites much of SENATI's budget as a cheaper way to train workers than having the individual firm do it.

SELECTED DEVELOPMENT ACTIVITIES

Special Development Activities (#527-0061;1963), described briefly in each CP (CP77-274, CP78-278, CP79-830), allocated about \$50,000 a year to small (\$3,000-\$3,500 average) projects that provide the capital goods, financing, or other resources that allow a community based economic activity to get off the ground in a self-sustaining fashion. These are not special development activities, they are what development activities supposed to be and what New Directions legislation was intending. Limited descriptions do not make manifest in each case the parti-

compensatory mechanisms; some of the projects may not be perfectly designed. But could AID not do better than spend \$5-10 million a year in this fashion instead of \$50,000. The Inter American Foundation has certainly shown it that it can be done.

Urban Reconstruction-Earthquake (#527-0055, 1972) has appeared for years with no explanation. In FY 79 the last million of the original \$15 million of disaster assistance is to be spent, presumably ameliorative in nature. This is one of several project types where analysis of a collection of post project evaluations would be particularly productive. A University of Indiana dissertation by Tony Oliver-Smith would be the starting point for research on this project's history.

Selected Development Training (#527-0173; 1979), described in CP79-824 and FY 79 Budget Submission (70-74), proposes a 3 year \$495,000 outlay to bring 30 mid-level Peruvian officials to the United States for degree and non-degree programs in development planning, programming, and evaluation. Its an ameliorative civilian version of the military training program with comparable ideological goals. Its premise is that development in Peru is critically constrained "by a lack of well-trained technicians, planners, administrators, economists, sociologists, and others versed in development planning (FY 79 Budget Submission, 71). The premise is not true. The dominant philosophic position of the Bermudez government is this second phase of the revolution has swung toward the ideological right. Many talented, highly trained Peruvian professionals and technicians who designed and instrumented the social reforms of the Velasco years have been ousted. Some now work abroad. The Bermudez government wastes this pool of human resources and many others who are similarly out of favor. This AID program will have multiple implications hard to see. But the proposed content of course designed to raise the status of the poor in national planning would be worthy of teaching the entire development field, not just 30 Peruvians.

3. AID and the New Directions Mandate: Some Mixed and Sobering Conclusions

There are other bilateral development activities including the PVO projects and Food for Peace, but this survey of the 30 current AID projects in Peru, inevitably flawed and incomplete that it is, merits some very mixed conclusions. Aside from a few small projects in the education sector and the Special Development Activities, the only one of the 25 on which material was available that came reasonably close to conforming to the New Direction's mandate is #527-0059 Sierra Water and Land Use. In its design were a clear recognition of conflicts that would be met and clearly participatory institutions which would appear to work toward fulfilling the mandate. It is obvious from this project that AID designers are capable of creating conflictive participatory projects in agricultural development.

What is also apparent is that a good number of the other projects contain an appropriate development target and some of the proper design elements. With relatively little more analytic and design effort new components could be added so that the project as a whole meets the process criteria properly set forth by the Development Group for Alternative Policies as the core of the participatory development New Directions calls for.

But one finds in contrast that four major projects, comprising more than half of the proposed \$17.2 million in FY 79 expenditures, are devoted to an alternative and contradictory development model embodied in agribusiness. Such support demonstrates not simply a clearly inappropriate intellectual hold of multinational corporation ideology on AID development designers but also a basic misappreciation of how confidence-mechanisms and unequal exchange, combined with the noncompetitive nature of agribusiness in the Peruvian countryside, work actively to continue the relative impoverishment of the poor majority.

In sum one must conclude from the examination of this AID program at least three sobering things. Since the initial articulation of New Directions aid legislation five years ago Congress has failed to communicate what is meant to AID. AID in turn has, with exceptions, largely failed to internalize and make operational the normative and substantive core of the New Directions mandate. In turn the Congressional oversight committees, particularly the authorizing committees which have more than minimal human resources, have consistently failed to understand the development process and the operational meaning of the legislation and therefore to communicate further corrective advice of a coherent nature. The proposed restructuring of AID does not come to grips with these issues in more than rhetorical fashion so that the Agency must itself look for new participatory self-learning processes of a higher quality. It has, I believe, the human potential to do so.

E. The World Bank Development Activities in Peru

1. The World Bank within the World System

The World Bank has been in the international development business for more than 30 years. As of mid 1977 its cumulative lending had surpassed \$50 billion and involved 116 countries. It has produced thousands of project, sector and country reports, a good number of which have become public. It has also produced directly for public consumption dozens of books and pamphlets, more than 270 working papers, and myriad articles in professional journals. To my knowledge, however, there have been less than 10 books and articles in the last few years that could reasonably be considered to be a beginning of an independent analysis of what the World Bank actually does.

This is an amazing situation. It can only partly be excused by the self-serving secrecy which surrounds much Bank activity. The Bank inspires an aura of elitist technical excellence which few persons inside the institution or out have the skill, incentive, and political courage to criticize and deflate. Mahbub ul Haq, Director of Policy Planning in the Bank, published The Poverty Curtain in

1976 and is one of the few exceptions. He demolished the bank's export-led growth model for the Third World and offered coherent elements of an alternative. As a "whistleblower", he continues to find his career in jeopardy. For most viewers and participants, however, the Bank remains as a political avenue for helping the poor, preferable to the less skilled and more politicized AID bureaucracy. The initial problem with this thesis is that there has not been any credible empirical demonstration of its validity. Beyond the May 1975 study by Development Alternatives (of Washington), no institution in the development arena has provided the kind and depth of project evaluation that could begin to construct any such thesis; this is yet another reason why the World Bank escapes scrutiny. Evaluation is a basically underdeveloped art. Comparative study of bureaucratic behaviour, Tendler (1975) for example, is equally in its infancy.

In sum AID's development designers have not been well served by Washington or academic analysts. The World Bank has been itself espousing a quasi - New Directions development philosophy since the fall of 1973. Has it discovered and implemented techniques, approaches, processes, or conceptual paradigms more effective for participatory development than AID? If not, how does one account for such a failure given its greater resources and its supposed protection from external political and economic interests? These questions are beyond the scope of this paper. But since late 1973 the World Bank has begun 8 new projects in Peru. Are they part of the problem? Or are they of the solution to reaching and helping the majority help themselves? A coherent system's analysis of AID's potential relationship with Peru in the 1980's needs to include such an inquiry.

Some historical preamble is required. The World Bank has traditionally financed large scale capital intensive projects within a production-oriented technocratic development strategy. Their basic focus was on infrastructure facilities. What roles in the world-system does the Bank fill by such a development philosophy

and strategy? The Bank is controlled by countries constituting the core of the world system. Private interests in these countries want to expand investment, access to raw materials, and trade opportunities; all of these activities, as outlined in Part II C and E, are designed to transfer wealth from the periphery to the core via multiple overt and covert mechanisms which this essay has subsumed as unequal exchange.

Until at least the early 1970's the World Bank filled a minimum of five specific roles in assisting this process. Its project, sector and country reports contributed much to the larger intellectual environment of Third World government officials concerned with development; at the heart of each analyses was unending pressure to follow an open export-led development model. World Bank projects were designed and did provide infrastructure facilities that remove basic impediments to profitable private investments. Projects supported capital intensive produce basic means of production in a society. Project financing was designed to maximize profits of multinational corporate suppliers and to facilitate private international bank penetration of Third World economics. Finally projects in the last decade have been designed in agricultural and urbanization programs that would diminish mass discontent that could be transformed into revolutionary politics.

This analysis will strike some readers as unduly pejorative and one-sided. Some poor people were indubitably aided by the expenditure of \$50 billion in 32 years. Most World Bank economists do not undertake systems analysis. World Bank analysts evidence a sincere belief that their activities are an optimal way to facilitate development of the poor. Belief is not, however, empirical evidence. Various studies, including those of the Bank itself, chronicled a growing gap between societies at the core and the periphery. In 1973 Bank president Robert McNamara articulated a new policy. Trickle down development was not reaching the mass of poor people, and the Bank, as the preface of recent annual reports states, would place

"greatly increased emphasis on investments which can directly affect the well-being of the masses of poor people of developing countries by making them more productive and by including them as active participants in the development process." The question for AID analysts is whether Bank projects are in fact doing this in a way consistent with the operational definition outlined in Part IV A or in any other way that can demonstrate logical and empirical validity.

The years 1973 to 1977 mark a particular period because the rhetoric of Bank president Robert McNamara made a striking advance in his September 1977 speech at the annual meeting. McNamara moved beyond technocracy to argue one element of what is central to a world-system analysis: the present political system is part of the problem. While still opting for growth and equity he noted a key obstacle: "The problem is that doing this requires changes in both developed and developing countries which may cut across the personal interests of a privileged minority who are more affluent and more politically influential." He then called for the redesign of public service and job allocations, some of the processes described in this essay as confidence mechanisms. It is too soon to say whether or how this policy statement will become operational reality. But it does constitute an intellectual change that merits notice. A study of the World Bank's ability to internalize its 1973 policy changes over the last four years will indicate a great deal about its ability to make operational in the future the policy implications of McNamara's 1977 address.

Using as primary data the twin documents, project report and president report, upon which the Executive Directors rely, one can analyze in general, albeit not quantitative, terms how well any group of projects (e.g. the 8 in Peru, c.f. Table 10) meets the operational criteria of the conflictive or participatory development model: 1) participatory mechanisms involving significant numbers of recipients; 2) functional linkages - not confidence mechanisms; 3) socio-cultural and environmental feasibility; 4) potential for self-reliance; 5) potential for self-sustainability; 6) promotion of self-learning; 7) avoidance of economic dislocation; 8) avoid-

ance of skewed allocation of benefits; 9) avoidance of negative power imbalancing through the method of resource channeling.

What is immediately apparent about World Bank project designs and these criteria is their basic absence of relationship. The design of project reports appears to follow a ritual outline of numbered sequences of generic topics. Authors fill in the appropriate technical and statistical data with little creativity required. The result is that most of the data necessary to design and implement a participatory project is not even collected. One finds raw data but no concept of the social matrix. Poverty is just there. Governments and other actors are presumed to be working in harmony to eliminate it. Project goals are stated but the process of implementation is never sketched in enough detail to see real people reacting, preserving turf or advantage, seeing how they can gain, or otherwise using the process for personal advantage. The antihistorical and unrealistic nature of such a paradigm has been sketched already. Here it is relevant just to conclude that if the World Bank leadership had any intention of implementing the rhetorical quasi-New Directions policy announced in September 1973, they have not taken the most elementary step to redesign model project and country reports so that data necessary for such policy would be collected and articulated in a useful fashion.

Another elementary consideration in participatory development is the one of size. Can a large project beyond a particular size in the \$5-10 million range simply because of the size, inherently be very participatory? Can reliance on a massive infusion of external capital promote the habits and discipline necessary for self-sustained growth? Can a staff under ever greater management pressure to push money through the system and meet target quotas be expected to judge very wisely the appropriate capital intensiveness of the various project inputs? Because these are not new questions does not mean that they are being addressed in a way that would contribute to empirically valid answers. In sum, the World Bank

has traditionally funded large projects but that does not per se make large a functional size of development activity to enlist the energies of very poor people. In Peru the World Bank has not escaped these potential contradictions as this brief analysis of current projects will demonstrate.

2. The Model Applied to World Bank Projects in Peru

The World Bank's portfolio in Peru includes these eight projects begun between the fall of 1973 and the fall of 1977:

TABLE 10

<u>TYPE</u>	<u>DATE OF APPROVAL</u>	<u>AMOUNT</u>
Education	November 13, 1973	\$ 24,000,000
Highways	April 23, 1974	26,000,000
Highways	December 30, 1975	76,500,000
Electric Power V	March 2, 1976	36,000,000
Mining - Centromin	June 3, 1976	40,000,000
Sites and Services	June 8, 1976	21,600,000
Development Finance Companies	December 28, 1976	35,000,000
Agriculture - Irrigation	April 12, 1977	25,000,000
		<hr/>
		\$284,100,000

Peru-First Education Project (\$24 million; November 12, 1973) provided additional resources to assist in the implementation of major educational reforms that made healthy strides in the early 1970's. IBRD's project proposed financing 33 new lower secondary schools including 10 with primary school facilities, 16 new upper secondary schools, 80 fellowships, and an additional 17 person years of specialist services in planning, curriculum development, teacher training, and related needs. One is immediately struck by the scale of the endeavor. The 49 proposed schools will create 32,500 new school places at a total cost of \$40 million. That means \$1230.77 per student; in 1971 there were 2,994,500 students in the system, excluding preschool and university or post-secondary. Pursuing this level of de-

velopment for the 1971 student load would require a \$3.686 billion investment; for 1980 a projected 4.26 million students would imply an outlay \$5.243 billion. Granted that money will have to be invested in education and that not all schools must be rebuilt, it is still a disproportionate project. Further this capital-intensive top down exercise is incongruent with other elements of Peru's coherent educational reform.

With priority emphasis on community participation, it has been possible in Peru to mobilize the communities of a region to build their own school with a maximum use of voluntary labor. In fact, as one of my critics commented, AID carried out such a school-to-school aid program in the Belaunde years. In contrast the Bank-funded schools are allocated as political patronage and use many non-local labor and material inputs. The Bank's utter myopia of the implications of Lima's domination of local schools is part of its overall naiveté that the educational establishment that created and sustains the present inequities will not coopt the structural educational reforms and new schools. The decentralization and "school nuclei" concepts are excellent in theory, but there appear to be no representative local school boards to ensure they work in a socially optimal way. The Bank report also fails to comment on the political role of teachers and how such activity has encouraged the government to break up parent-teacher links to demobilize effective political participation. System-analysis raises many further questions, but until Peru faces more forthrightly the question of education for what, the results can at best be ameliorative.

Peru - Sixth Road Project (26 million, April 23, 1974) and Peru - Lima - Amazon Amazon Transport Corridor (\$76.5 million, December 30, 1975) both improve east-west roads that are integral to Coastal-Selva trade. They are straightforward technocratic projects, analyzed as they might have been twenty years prior save for the painfully earned appreciation of the technical difficulties of building roads

under the ecological conditions of the Peruvian Sierra. People will use these roads, and interregional trade will increase. As has been noted, however a road is not a neutral input into a highly skewed economic system. Those with disproportionate resources to use such an input will gain disproportionate benefit from its existence. Equally missing from either project analysis was any consideration of how land or tax values would shift and whether affected societies would be prepared through participatory institutions to deal with the multiple potential dislocations and benefits in a socially responsible fashion.

Peru-Fifth Power Project (\$36 million, March 2, 1976) consists of "the 1975-1978 expansion program of Electrolima's transmission and distribution systems and technical assistance to, and training for, the State entities in the power sector." Justification of the project is based in part on the expansion of service to customers in the pueblos jovenes; their number was projected to rise from 55,000 customers in 1974 to 220,000 in 1979. While this service does not reach the poorest inner city slums, it does mean that barriada residents will gain incrementally in terms of percentage of total customers (but not in terms of percentage of total power usage apparently). The World Bank analysts curiously did not provide the data to answer the real question - what percentage of total usage does go to the poor? But one can approximate from some of its figures that it is 3 to 5%. Thus the single miniscule social justification of this project has little merit, and the project demonstrates with pristine clarity the advance of the world-system in general and the ever-increasing primacy of Lima in particular.

Peru-Centromin Expansion Project (\$40 million, June 3, 1976) was designed to contribute to the growth of one of the four large-scale mining companies that produce 65% of the Peruvian mining output. The value of this form of technocratic activity, as has been noted in Parts II D and E, cannot be assessed intelligently within a narrow framework of economic risks and returns. One could parenthe-

tically note that the major risks the Bank feared in 1976 are all highly visible in the early months of 1978: an extended period of low metal prices, significant production losses due to protracted strikes, and a continuing high rate of inflation. The larger merit of export-led growth rests on its creation of capital that could be invested in a participatory development model that could create citizens able to be optimally productive and sharing equitably in the results. But if a society instead spends the export revenue on high government salaries, military arms, luxury imports and services, and more capital intensive export-led industry, the export-led growth model fails in its supposed purpose. Peru is an average case in point. The causes, results, and responsibilities are more clear cut in the extreme case of Zaire which I have analyzed in "Policy Making and Historic Process: Zaire's Permanent Development Crisis", to appear in the April 1978 African Studies Review. Here it is enough to say that the Centromin project is contradictory to participatory economic development.

Peru-Urban Sites and Services (\$21.6 million, June 8, 1976) will provide infrastructure, productive investments and technical assistance through the state owned, semi-autonomous Banco de la Vivienda del Peru (BVP). Sub loans will go to pueblo jovenes and to individual residents therein. As discussed in Part III D, this is a project form with both ameliorative and participatory elements. From a system's analysis perspective the project is one of defensive modernization, facilitating the proletarianization of potential consumers and low wage producers without redressing the overall economic strategy which creates such numbers of unemployed and underemployed. From the participatory perspective, however, this project shows that at least that some part of the Bank's Urban Projects Department recognizes some core elements of participatory development. The per capital outlay for water and sewer connections looks reasonably appropriate. A 1974 BVP program with external aid had produced dwelling units at \$7,400 each. For this

project the Bank (P-1857-PE:15) argued these figures:

Under the supervised credit component of the project the cost per household plot, (i.e. with water, electricity, sewerage, and access roads) and a simple core dwelling unit will amount to about \$1,400, which could be obtained by the beneficiary with a down payment of about \$140 and a monthly payment of \$14, which is affordable by the lowest 20th percentile in the income distribution curve.

It is hard to see how it could be done on a more reasonable scale, yet it improbable that the bottom 20% could afford such housing. The Bank reports do not investigate the nature of the linkages between the BVP and specific pueblos jovenes so one does not know how the benefits could be skewed at the local level. With more coherent data collection and design elements the project could meet several more participatory criteria, although not escape the overall confidence mechanism government approach to urbanization.

Peru-Industrial Credit Project to COFIDE (\$35 million, December 28, 1976) is intended to reduce balance of payments constraints and provide, through the auspices of one of the two long-term financing banks, resources for 35-50 subloans throughout this industrial sector. The loans are on average too large to be offered to small businesses. Bank analysis basically distorts the degree of substantive as opposed to rhetorical change in the industrial sector. Positive support of Peru's industrial reforms is implied; but the Bank specifically reserved the right to review all subprojects to Social Property enterprises. Clearly the Bank thereby helped to prevent the development of a Social Property sector, and retains such power were the Peruvian government again inclined to try to advance its application. COFIDE's initial lending pattern (1971-1976) shows a total exposure of 30.6 billion soles, just over half to state enterprises. Given the industrial preferences of public and private industry, analyzed in II D and III D, this project has little relationship to New Directions development activity.

Peru-Irrigation Rehabilitation Project (\$35 million, April 12, 1977) involves six

coastal valleys, three near Lima and three near Arequipa, and consists of the reclamation of 19,000 hectares of saline land, building or rebuilding irrigation systems on an additional 14,000 hectares, and improving inadequate irrigation facilities throughout the six valleys. Some 4,000 families are to settle the "new" land and 13,200 more are to receive at least some benefit. The project report provided a variety of statistics but no estimate of the investment per hectare, normally a fundamental of any land development project (why?). A more straightforward technocratic project is hard to imagine. Food is produced, largely for Lima. The total population of the six valleys, about 242,000, received a per capital investment of \$165.29, in which perhaps 25 to 35% will share directly. This may not be an inappropriate investment scale given the potential return; but few other sites in Peru would be so productive. The social context of production and, the issues of effective linkage and participation are unaddressed as indeed are all of the participatory criteria. Hypothesizing theoretical production gains per hectare is not the same thing. One needs to know as well what went wrong to have caused the irrigation network to have deteriorated the last time; could it do so again?

3. The Self-Evident Bank Strategy

These eight projects comprise the World Bank activities initiated in Peru since the initial quasi-New Directions rhetoric of Robert McNamara in September, 1973. These projects show with great clarity that the World Bank's strategy for Peru is not participatory development but the perpetuation and strengthening of the world-system. In each project report through the most recent the strategy is stated in the same unambivalent terms.

The main objectives of Bank lending to Peru have been to aid in
(a) the creation of a physical and social infrastructure capable
of sustaining and fostering the evolution of the nation's pro-

ductive capacity; (b) the expansion of productive capacity in crucial sectors; and (c) the consolidation of structural and institutional changes now under way, particularly land and educational reforms.

"Crucial sector" are clearly the export led, capital intensive ones. The World Bank's performance in Peru, in sum, speaks for itself. Whether it is typical of its world wide effort would take more investigation.

The lending activities of the Interamerican Development Bank are similar in nature to those of the World Bank. IDB makes no pretensions of other than a technocratic strategy, and its recent project titles are self-explanatory: Cuzco Regional Electric Power (\$32.3 million), Olmos-Corral Quemado Highway (\$37.6 million), Preinvestment Program for COFIDE (\$10 million), Centromin Expansion (\$33.4 million), and Agricultural Credit to the Agrarian Bank (\$30 million).

It would appear that, while AID development designers can benefit from the quantitative data collected by the multilateral agencies, those with the legislative mandate to help the world's poor majority must look elsewhere for the methodological or analytical tools to learn about history, economics or cross-cultural studies and to translate that learning into operational terms. It is an anomalous situation which should concern the entire international development arena. Why after 32 years is there still no recognized institution or individual offering regular substantive criticism of IMF, IBRD, IDB, ADB, UNDP etcetera activities? Why does conventional wisdom accept the anti-historical premise that any institution can or will effectively monitor itself?

V. A Concluding Summary and Look Ahead

This study has demonstrated that the analytical and operational responsibilities of AID's Bureau of Latin America to meet the Congressional New Directions mandate of participatory development cannot be fulfilled with the conventional collection of normative assumptions and analytical tools, a collection termed

"developmentalism." Indeed the normative basis of developmentalism has been shown to be antithetical to the welfare of the majority of poor people, precisely the group AID is bound to try to assist. To oppose this school of thought, I have posed a paradigm called the world-system and a method of analysis broadly defined as systems-analysis. From this approach there logically develops three basic categories of international development activities. In Griffin's (1976) terms they are ameliorative, technocratic, and conflictive. Conflictive activities involve the participatory processes which are integral to an activity which will have significant and lasting positive benefit for the poor. To begin the study of measuring the impact of specific projects nine criteria were advanced; AID and IBRD projects in Peru were analyzed to demonstrate the operational use of the approach and how specific projects should be modified to meet the legislative mandate and the needs of the poor in an optimal way.

Systems analysis thus argues explicitly for the interrelationship of political, economic, and social processes over both time and space. It posits that the economic processes are the core determinant, doubly so for analysts who are desirous of affecting economic change. Thus the conditioning and organizational impact of nation-states and cultural communities are in such an analysis subsidiary to the way people structure their economic relations. The term most convenient for this concept is mode of production. This term becomes particularly useful in, indeed is indispensable without, an historical framework. By seeing that in times past people fit into economic activities in different ways and made different normative assumptions about the good, the possible, and the just, it becomes far easier to escape the ideological content of current conventional economics.

Of equal importance, by adopting an historical framework of this nature, one becomes conscious of the implications of the uneven historical development of the

world-system. From this research Amin and others have developed the concepts of core and periphery, examined the disparities in productive structures that evolved in each, and begun the theoretical reformulation of the nature of trade between societies at vastly different stages of modernization. In this essay I have expanded their use of the concept of unequal exchange to embrace not just international but subnational trade exhibiting such a basic nature. Without this analytic dimension one will gravely distort many of the implications of spatial or regional development. This paper, for example, could have demonstrated far more thoroughly the multiple effects of Lima's primacy in skewing the allocation of investment and productive rewards.

The confidence mechanism is an additional analytical tool that I deem basic to understanding how an existing economic system preserves its current distribution of wealth and power, and coopts for elite use the efforts of external forces to alter the system. Con-mechs, as the originator Charles Elliott (1975) abbreviated it, work to insure the individual's participation in the system as producer and consumer by raising one's expectations of reward to heights which appear conceivable but which, for most participants, are inherently unobtainable. By carefully scaling the contests so that at least some reach the pinnacle or some intermediate and desirable goal, most people are encouraged to try to compete with the assumption that by luck and hard work they will prevail. Some do. Meanwhile the system's accumulators gain far more by the participation of the mass. But as a system for dealing with the welfare of the poor majority that New Directions mandates, conning the people should be avoided.

With the world-system paradigm and the analytical tools of unequal exchange and confidence mechanism, it becomes not unduly complex to organize the economic, historical, cultural, political, and ecological data useful for the design of

participatory development activities. One begins first with surface data and then searches for the underlying normative values and historic processes at work which allow some people to accumulate relative wealth and maintain most people in relative poverty. One needs first the ecological givens, the forms of productive activity, and how the wealth has to this point been distributed. Next it is necessary to discover how the system came to its present structure and who the guiding forces or accumulators have been. This leads to an inquiry of the nature of and potential conflicts among the current accumulators, which in turn leads to an investigation of their publicly expressed philosophy in contrast to their operational behaviour. Conventional analysis of Peru seems to this author to overstate the operational impact of revolutionary rhetoric on the lives of the poor. Compared to the rest of Latin America, several significant strides were taken, but that should not lead to euphoria over the corporatist, anti-participatory operational philosophy still predominant despite visible counter-efforts.

In a usual development assistance paper, less attention is customarily allocated to the current macroeconomic scene. Peru's current crisis, however, severely inhibits its potential for positive development activities. Peru's macroeconomic situation is an illuminating example of the multiple fallacies of the export-led growth model. The empirical evidence leads ineluctably to admittedly provocative conclusions. Peru is not suffering a short term debt crisis from low commodity prices that can be solved by one or two international bank loans like the proposed \$260 million package. Peru is instead in a long-term structural crisis due to its role in the world-system and a resulting development model basically inappropriate for meeting the elementary job and social service needs of the society. The IMF, the IBRD, and the international banks did much to create the short-term elements of crisis and remain fundamentally part of the long-term problem. Peru is now being led and dragged toward civil war and/or a likely outcome in the post-1973 Chilean

mold. An escalated deprivation of economic and political rights can be envisaged which contravenes the core ideals of U.S. foreign policy as advanced by President Carter and Secretary Vance. American acceptance of IMF analysis and prescriptions demands reevaluation and possible rejection.

While AID must take part in such a reconsideration, it must also look beyond it to attempt creation of a more effective and participatory aid program for Peru in the 1980's. To further that end, a critique of the FY 79 aid strategy and projects was designed (c.f. Part IV). This analysis produced conflicting results. Designers of a few projects seemed to know how to meet some or most of the criteria of the participatory or conflictive development model New Directions mandates; some other projects could be distinctly improved by additional design components which could easily be included in their over-all design. In other cases, however, the designers were clearly following the passé technocratic development model and supporting international agribusiness whose capacity for monopoly, unequal exchange and confidence mechanisms works consistently to the disadvantage of most, albeit not all, of the rural poor; these projects, occupying more than half of FY 79 outlays, are not in keeping with the legislative mandate of New Directions.

To the extent that AID can internalize the kinds of participatory criteria advanced in this essay and simultaneously come to grips with the implications that the world-system is the problem and at best, only partially the solution, there is reasonable hope that AID can meet the severe challenges of international development activities in Peru in the 1980's. There are, however, complex analytical, methodological, and operational problems to be overcome. It would be presumptuous and inappropriate, without on site discussions with the project participants, to sketch more specific programmatic possibilities. Too much ultimately depends on the participants and on the nature and quality of intermediate institutions and officials. AID officials have often remarked on how foreign project designers

overestimate the capacities of recipients; this is yet another reason for participatory dimensions at every stage of the process. It is less presumptuous, however, to suggest where this analysis and the remainder of the literature need significant additional research.

I would note at least five such areas. There is too little known about the peasant's perception of money and barter and how commercialization affects the psycho-social dimensions of change. Contemplate the issues raised by Brush (1977) and Taussig (1977); additionally we need to know what will happen in the Sierra when certain levels of barter relationships are destroyed by commercial processes which cannot profitably replace them? There is, in the second place, too little known about the impact of psychological modernization; the works of Adda Bozeman and Manfred Halpern are particularly exciting, and the latter's forthcoming Dialectics of Transformation in Politics, Personality and History should be read by Latin Americanists as well as Africanists. Looking briefly at the thousand pages of P.T. Baker and M.A. Little eds. (1976) Man in the Andes: A Multidisciplinary Study of High - Altitude Quechua, it is apparent how little the international development community incorporates the medical dimensions of ecology into multi-disciplinary analysis. There is a manifest need, fourthly, of ecological, socio-economic, and sociocultural impact studies in every project, studies which do not substitute statistics in lieu of the analysis of processes over time. Finally Tendler's (1975) work clearly shows that the study of the inner normative reality of the donor bureaucracy has vast and vastly underappreciated implications on the creation and implementation of participatory development activities.

Despite the crisis in Peru, the fundamental flaws in its development model, and severe shortcomings in AID's understanding of its historic role and legislative obligations, I do not conclude that AID or bilateral assistance should have no role in Peru in the coming decade. There are apparent both in Peru and in

Washington a number of people normatively inclined to and intellectually capable of working at the cracks and crevasses in the world system to transform it into a more humanistic and socially responsible system. Cooperating with such people, comparable officials in AID can begin to define and spread a shared vision of a more just and sustainable world order that can become the human goal for the year 2000 or 2025. The initial work of the Princeton-based World Order Model's Project would be a good point of departure. Having begun this essay in a spirit of idealism and having written it in that spirit, I feel free to end it in the same vein. We must reach for a deeper and more humane meaning of modernization, not as the production of ever greater quantities of material goods, but, as Halpern (1976:11) put it recently, "the persistent capability to create the fundamentally new in all human relationships -- persistently, so that relationships may move toward compassion, justice, beauty, and truth."

A Note on Sources

What follows is by no means an exhaustive bibliography of recent material on Peru in English. It avoids certain realms of political science and legal literature for instance. It is instead designed to include the valuable and representative works appropriate for contemporary Peruvian studies and additionally some of the premier discussions of the application of systems analysis to development. Its greatest weakness is, of course, the absence of Spanish language material which was not accessible to the author, trained as an Asianist and Africanist. Surveys of many bibliographies and discussions with specialists led to the conclusion that, given the comparatively enormous number of authors writing in English and the not insignificant quantity of translations, this level and kind of analysis would not be irreparably damaged; the absence of many sources of Peruvian authors did diminish elements of the cultural and psychological analysis, however, and I would not extend the working hypothesis to less extensively studied Latin American countries. Those readers who wish to pursue Spanish language material should know that the Andean Report promises that a 1500 item bibliography on the Peruvian Revolution will appear sometime in early 1978.

It is also proper to note several forthcoming items which will be of interest: IBRD Current Economic Position and Prospects in Peru (1978) is scheduled to be rushed into a public edition this year.

Rosemary Tharp and Geoffrey Bertram The Peruvian Economy 1890-1976, Columbia University Press, 1978 forthcoming.

Peter S. Cleves and Martin J. Scurrah, Agriculture, Bureaucracy and Social Class: Reform in Peru Under Military Rule, forthcoming.

Alfred Stepan, The State and Society: Peru in Comparative Perspective,
Princeton University Press, spring 1978.

No such listing is ever complete, and one can look for the publication of revised dissertations by DeWind and McClintock and doubtless several others. What this author was able to find and use in the brief period possible follows.

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