

# Peru:

## The Master Is Dead

By Norman Gall

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He commanded respect, despite his old-fashioned and dirty appearance. The principal personages of Cuzco greeted him seriously. It was uncomfortable to walk with him because he kneeled down before all the churches and chapels and ostentatiously took off his hat to every priest he met. My father hated him; he had worked as a scribe in the Old Man's haciendas. "From the hilltops he shouts with the voice of damnation, warning his Indians that he is everywhere. He harvests his vegetables, and then lets them rot; he thinks they are too cheap to sell in the cities, and too dear to be eaten by his serfs. He will go to Hell," my father said of him.

—JOSE MARÍA ARGUEDAS, *Los Ríos Profundos*.

THE HACIENDA LAURAMARCA—the largest estate in the Department of Cuzco, ancient seat of the Inca Empire—is a gray-green feudal domain stretching over 200,000 acres of rolling, windy *puna* of grass and stubble and glacial stone in the highlands of southern Peru, occupied by immense herds of sheep, llamas, and alpacas, and roughly 5,000 Indian serfs. There is a primeval and intricate confusion of stone fences, defining each of the Indians' tiny subsistence plots, alongside the small river dividing the *puna* as the steppe reaches gradually toward the white slopes of Mount Ausanccate. In the old days the Indians were regularly sent to fetch snow from the great mountain, 21,000 feet high, and carry it on their backs to the hacienda, wrapped in burlap and straw, to be made into ice cream and sold for the master's profit in the Sunday peasant market at the *casa grande* of Lauramarca. In the cold and darkness of sagging adobe huts cradled among their sheep pens and potato patches, the Indians tell stories of bloodshed and rebellion that won a certain fame throughout Peru for the Hacienda Lauramarca as a symbol of the struggle that led to the abolition of Indian serfdom and to the end of the hacienda system itself. For this reason, it was the first hacienda in the Andes expropriated in the sweeping agrarian reform now being carried out by Peru's "Revolutionary government" of generals and colonels. The end of feudal bondage is the wellspring of the convulsive social changes that have now launched Peru into the most stunning and confused outbreak of reforms Latin America has seen since the early years of the Cuban Revolution.

One of the stories told by the Indians concerns the long ago murder of a *hacendado*, or master, of the Hacienda Lauramarca during a dispute with the neighboring town of Ocongate over the hacienda's traditional monopoly of the trade with its serfs. The town was a settlement of whitewashed mud houses occupied by half-breed merchants and petty officials who prospered from buying stolen sheep and from other forbidden traffic with the Indians, which emboldened them to agitate for transfer of the region's weekly peasant market from the hacienda to the town plaza. The *hacendado* was a lean, dour, imperious priest, Padre Hilario Antonio Saldivar, known for his black cassock and flowing hair and for assembling his serfs

each Sunday at dawn in the chapel of the *casa grande* to hear him intone the Latin mass, for which they paid him a fee in sheep. The Indians cringed in church as in the world, and brought the master-priest many gifts. The chapel reeked of piss, and its cherished oil paintings—done by wandering artists centuries ago—were so badly damaged by the rains penetrating the chapel’s tile roof, and so dim and primitive in their religious conception, that they appeared to have been made in the first strokes of a blighted Creation. On feast days the Indians filed into the chapel in glowing shawls and ponchos, wine-colored and cunningly woven with designs copying the plumage of the Inca crown; there was a squeaky orchestra of home-made flutes, harps, and violins that accompanied the mass recited by the *cura* Saldivar in a language incomprehensible to the Indians. The orchestra produced its traditional music with a devout and incandescent mysticism, and the Indian harpist played, as always, with his eyes closed.

At dawn on February 8, 1899, the townspeople of Ocongate crossed the small, misty river swollen by heavy rains to attack the *casa grande* of Lauramarca. On the night before the attack, the mayor and other town notables crossed over to the hacienda to sell *aguardiente*—a crude and powerful sugar-based liquor—to the Indians on the eve of the Lenten carnival. The attack came after the mayor of Ocongate was captured and marched shoeless to the *casa grande*, a fortress-like adobe compound encircled by walled stockyards and a few withered eucalyptus trees, which the Saldivars had owned for generations. Two Indians were killed while trying to stop the mob from breaking down the great door of the manor house; the townspeople rammed their way into the stone-paved interior patio and sacked the *casa grande*, leading away sheep and horses and alpacas, and carrying off stores of barley and *aguardiente*. When Padre Hilario Antonio Saldivar appeared at a window to speak to the mob, he was blasted with buckshot and died a few days later. “The Indians could not have done this, for they thought the *cura* Saldivar was something like a god,” an old peasant told me in Quechua, the ancient Andean vernacular. “When the people of Ocongate shot him, some of us carried the *cura* over the mountains on a sheepskin litter for two days and two nights to Cuzco to try to save his life. He died just a few miles from Cuzco, and gave a curse with his last words. Before the *cura* Saldivar gave his curse, our potatoes grew the size of melons. But now they grow hard and small.”

The uprising of the people of Ocongate in 1899—the weekly market was moved from the hacienda to the town not long after the *cura*’s death—was an augury of the swift and sometimes violent changes that Peru has been experiencing in this century. Conflicts like these accompanied the rise of merchant towns in Europe during the Middle Ages, and helped drag these feudal societies into the modern world. The modernization of Peru has generated immense social pressures leading to the blizzard of decrees of the “Revolutionary government” that have been descending over Peru since the armed forces seized power two years ago. The townspeople of Ocongate are *mestizos* and *cholos* (Indian converts to Hispanic culture), and their triumph over the traditional power of the hacienda is part of the great political and cultural mutations now changing Peru: the increasing political power of the *mestizo* majority in the towns and cities, and what sociologists call the “choloification” of the Indians. The new social conscience of the largely *mestizo* officer corps of the Peruvian army, long known as “the watchdog of the oligarchy,” became a guiding force after the army was forced to deal with a series of peasant and guerrilla uprisings in the Andes during the 1960s.

The army’s recent decision to seize power and guide Peru toward “revolutionary” solutions came essentially from a military intelligence operation that grew like Topsy while combating three tiny—and overpublicized— guerrilla movements along the eastern slopes of the Andes.

The mushrooming counterinsurgency operation—led mostly by officers trained at U.S. and French intelligence and antiguerrilla schools—mounted a military spying apparatus that penetrated not only the centers of rebellion in the universities and the countryside, but Peru’s business establishment and traditional political parties as well; these officers later explained that they found the existing structure so rotten that it might dissolve into violence and chaos if there were no drastic reforms. Since executing their bloodless coup d’état at 5 A.M. on October 3, 1968, these officers have decreed new laws placing the main sectors of the Peruvian economy—the banks, the press, the mining, petroleum, fishing, and sugar industries— under state ownership or control. Among all these measures, however, the “Revolutionary government” has staked the greatest part of its prestige and effort in executing the most radical land reform program of the past decade in Latin America.

On June 24, 1969, President Juan Velasco Alvarado, who was the army commander at the time of the coup, appeared on nationwide radio and television for a historic speech, announcing that today the Government of the People and the Armed Forces put in motion a vigorous and irreversible process of national transformation, thus avoiding the chaotic outbreak of social violence and giving autonomous solutions to the age-old problems of Peru.... Today, the Day of the Indian, the Revolutionary government presents the peasant with the best of tributes, ... a law that will end for all time an unjust social order that has maintained in poverty and iniquity those who have always had to till someone else’s land, a social order that has always denied this land to millions of *campesinos* .... To these men of the land we can now say in the immortal and libertarian words of Tupac Amaru [leader of the great 18th-century Indian rebellions that swept across the highlands of Peru and Bolivia]: “*Campesino*, the master will no longer feed on your poverty.”

## I

### *Mancha Indígena*

“EL PATRÓN HA MUERTO,” Sixto Flores told me as we traveled across the *puna* on two skinny horses after the Hacienda Lauramarca was expropriated last year. “The master is dead. The agrarian reform has come in his place.”

Sixto Flores Yucra, 41, is a veteran of the Peruvian army and, thus, one of the few Indians on the hacienda who can speak Spanish, though he can decipher a newspaper or a legal document only haltingly and painfully. (Most of the people of the Andean area known as the *mancha indígena*, or Indian oil stain, are illiterate and speak only Quechua, which in its many local dialects is still the vernacular in most of the highlands of Peru, Bolivia, and Ecuador.) Sixto is an affable man with strong, supple features suggesting a mixture of Indian blood with that of the African slaves brought to Cuzco three centuries ago. It is a strange face; elongated, with a broad, relaxed mouth and gentle brown eyes awakening, when roused, into quick anguish and the focusing of an acute rustic intelligence. He dresses like most Indians, in a heavy brown poncho, a broad-brimmed hat, and sandals cut from old rubber tires; he is the living image of the Indian awakening to the modern world.

After learning to speak Spanish as an army recruit 20 years ago—the immemorial way of

obtaining recruits is for the army to surround an Indian village, herd all eligible youth into a truck and drive away—Sixto Flores three times has been elected *personero* (headman) of his community. He also has been a lay catechist of the Catholic faith, a leader of the peasant *sindicato* organized on the hacienda in 1957 with help from the Communist leaders of the Cuzco Workers Federation and, now, president of the cooperative that the Ministry of Agriculture has organized among the hacienda's 975 Indian families. Since the cooperative was formed last year, Sixto has been traveling back and forth from Cuzco, lobbying in the offices of the Ministry of Agriculture there and buying expensive breeding animals for the cooperative with a loan from the Agricultural Bank, as well as rice, canned goods, and *coca* for the co-op store that has replaced the *cholo* merchant's roadside establishment at the hacienda's entrance. For his trips to Cuzco, Sixto has been paid 75 cents a day in expenses, and has spent his nights on a sheepskin in the Ministry of Agriculture garage, where a former Lauramarca peasant works as watchman. "Last month at the agricultural fair in Cuzco I lost my hat while buying six prize bulls for the cooperative," Sixto told me.

"Because of the cooperative I haven't harvested my own potatoes. When I came home from Cuzco without my hat, my wife and mother-in-law said I had been drunk and sleeping with whores."

When the Hacienda Lauramarca was expropriated last year, its serfs had been on strike for nearly half a century. In 1922 this strike, or "campaign of disobedience," began after the government of Dictator Augusto B. Leguía (1919—30) rejected the Indians' petition that their feudal obligations be abolished. In 1926 the *cura* Saldivar's nephew, an influential member of the dictator's party, had army troops sent to the hacienda to crush the serfs' "campaign of disobedience." The troops were attacked by the Indians with slingshots, a tactic used in the peasant land invasions of the 1960s. According to an official report made after the Leguía dictatorship was overthrown, the army then

committed all crimes it was possible to imagine against the defenseless Indians. In frightful succession they effected rape, beatings, and burnings of the Indians' wretched huts. In a word, the inhabitants of Lauramarca suffered the effects of a true armed invasion. As an epilogue, several Indians (named in the report) were separated from their families and deported to the jungle area of Ccosñipata, where they still remain."

All the deportees eventually died in the jungle, but the revolutionary strike of the Lauramarca serfs remained in effect. It was this kind of repression that earned the Peruvian army its notoriety as "watchdog of the oligarchy."

When I first visited the Hacienda Lauramarca, a few weeks after its expropriation, an old *campesino* named Mariano Mamani gave me a copy of a list of feudal obligations published in a Lima newspaper in 1931 when he and some other serfs had traveled to Lima to seek relief from the government. It is a good example of the kind of servitude prevailing in the sierra until the 1960s.

a) we performed obligatory service as *pongos* (unpaid household servants) to the master

and his relatives; b) each month we were sent to Cuzco in groups of 30, where we were rented out to different homes without being paid a cent, eating only *coca* and scraps from the master's table; c) an equal number of us were sent every 40 days to the malaria-ridden valley of Marcapata to work the master's hacienda there, being paid 20 cents a day; d) we performed the farm labor of the hacienda and pastured the master's animals, paying double the value of any animal that should die by sickness or accident; e) carrying the hacienda's produce to the cities of Cuzco and Sicuani, using our own pack animals on journeys of 10, 15, and 20 days, being paid five cents for each ton of wool or potatoes delivered; f) the obligation to sell all our produce to the master at ridiculous prices, like eight cents for a sheep or 16 cents for a baby bull; g) at each annual *rodeo* (roundup) we had to deliver five percent of our animals to the master without payment; h) beyond these exactions and robberies there was the physical punishment for infractions of these rules, such as being hanged by our fingers from a rafter of the master's house and to be whipped.

The legal theory behind these obligations was payment in goods and services for the right to live on the master's land, stolen from the Indians over the past four centuries.

A second invasion of Lauramarca, this time by the rural police, came shortly after the delegation of Indians returned from Lima. Two peasants were killed and the Indians' herds confiscated after the Saldivar family and the prefect of Cuzco agreed to share the proceeds of the rent collection drive which greatly exceeded the value of the unpaid feudal dues. In the late 1930s the Saldivars brought the archbishop of Lima, Pedro Pascual Farfán, on a long, dusty trip to the Hacienda Lauramarca to attempt a reconciliation with the Indians. It was Archbishop Farfán who, around that time, issued a widely quoted pastoral letter that said:

"Poverty is the most certain road to eternal felicity. Only the state which succeeds in making the poor appreciate the spiritual treasures of poverty can solve its social problems." The attempt at reconciliation failed.

In 1952 the Hacienda Lauramarca was bought by a group of Argentine sheepmen who attempted a classic land enclosure movement to recover the pastures that had been invaded and occupied by the Indians for three decades. The majordomos would build fences by day and the Indians would tear them down by night and steal the purebred sheep that the Argentines had bought as breeding stock. When several Indians were arrested, a delegation of peasants traveled to Cuzco to seek help from the regional labor federation, which promptly assigned two lawyers to assist the Indians. In 1957 the labor federation organized the first peasant *sindicato* in the sierra among the serfs of Lauramarca. "The Argentines never made a profit on the hacienda," the last manager of Lauramarca told me. "Under the previous government, we went to Lima to ask that the hacienda be expropriated, but the old land reform agency refused." The formation of the *sindicato* at Lauramarca was the beginning of a series of uprisings in the sierra of central and southern Peru in the 1950s and 1960s of some 300,000 peasants in haciendas and Indian communities that brought both military repression and a series of reform measures, each bolder than the last, leading to the destruction of the agrarian feudalism of the past. The master is dead, yet no one knows what will come in his place.

## **Peasant Life in the Sierra**

THE HOUSE of Sixto Flores Yucra is at the top of a remote valley more than 13,000 feet high, very near the snow line, at the edge of the closed universe that for centuries was the

Hacienda Lauramarca and on which Western culture still has made only a dim and fragmented impression. In Sixto's *ayllu*, or Indian community, more than 100 varieties of potato are grown; the area is one of the centers where the potato was domesticated in pre-Columbian America. The 30 *comuneros* rotate the tiny potato patches among themselves each year to ensure that no one permanently uses better or worse land than the rest, a practice dating from Inca times that has died out in most of the sierra.

I came to Sixto's house in July, the season of sunny days and frigid nights and brilliant skies, the season when potatoes are harvested and *chuño* is made. *Chuño* means potatoes that survive the early frosts, dug from the ground and spread out under the July moon to freeze,~ then crushed under the feet of the peasant and his family as the *chuño* melts in the afternoon sun; this is done several times until the potato is completely dehydrated, and all that is left is a small, bitter black ball that does not rot with time. In all the thatched adobe huts that follow the rusted glacial valleys down from the slopes of Mount Ausancate, *chuño* is the main food for most of the year. "All our meals are potato or *chuño*, *chuño* or potato," Sixto told me one night over a bowl of potato soup. "Potatoes have a sweeter taste, but they can only be stored for half a year before they rot." In the field below his house, Sixto and his family harvest potatoes until nightfall, until the whole valley is suddenly bathed in amber light and then, just as suddenly, left in primeval darkness and cold. Light and warmth are precious commodities; the family works through the day intensely and with little talk. Sixto wears a bright red homespun vest with a high collar and a white felt hat; his wife Vicintina, whom he brought here over the mountains from the Vilcanota valley 15 years ago, is a strong, bright-eyed woman with ashen feet, wearing the traditional black homespun skirt and embroidered red jacket and canopy hat, with sodden hands working swiftly, excavating and sorting potatoes, some for *chuño* and some for eating as they are, placing them in different striped bags of finely woven alpaca that are brought to the high sierra by the Indians who make them near the coast. "The potatoes are smaller this year because of the hail and the frost," Sixto said; the harvested potatoes were gathered in small piles and covered with straw, and a small cross was planted on top to keep witches from cursing the potatoes. He keeps a small flock of sheep and alpacas, but these animals are very rarely slaughtered. They are eaten when they die of sickness or old age, and their wool barely meets the family's needs for yarn to make their garments. Even the guinea pigs that scurry in the darkness of Sixto's hovel are cooked only on very special occasions.

Sixto inherited his father's house high in the valley, where there was enough space to pasture his small flock in relative freedom from the majordomos of the hacienda. Nevertheless, he cultivates three separate plots at different altitudes as insurance against his whole potato crop being destroyed by a single night's frost. The family lives in a compound of four adobe huts with a cold mountain stream running through the interior patio. The main structure is a cooking house that is filled with smoke at mealtimes, since there is no chimney. Sixto's precious guinea pigs flee and scream on the earthen floor beneath the old hand loom on which the family's clothing is woven, and among the primitive farm tools and grinding stones and the brightly colored plastic pails and basins bought at the Sunday market in Ocongate.

For the evening meal the family is ranged along one wall, whispering curtly in Quechua, a man and four children waiting to be fed in near-darkness as Sixto's wife and mother-in-law fuss and bend over clay pots in a corner next to the small fire fueled with the dried dung of alpacas and sheep that is carefully stored in the yard. The fire glares when stirred, and throws a long shadow from the Incaic hand-plow, the *chaquitaccla*, hung upon the wall. After supper the family disperses to different houses to sleep, the two women and the little girl stretching out in the hovel where the potatoes and *chuño* are stored, while the eldest boy sleeps in a tiny, hive-like hut overlooking the corral to guard the animals and the newly harvested potatoes from theft. Thievery is a constant danger and obsession for the *campesino*. "The man in that

house once stole sheep from me,” Sixto once said as we crossed the *puna*. “When I strengthen my power in the cooperative I will send him to the *Sepa* (a penal colony in the jungle).” The mutual distrust of the *campesinos*, plus the desire of many to divide the land among themselves, have impeded the organization of a meaningful cooperative. Also, of the hacienda’s 200,000 acres, all but one-fifth have been in the Indians’ possession for many years. The attempt to fence off a separate pasture for the cooperative’s new breeding cattle, like the enclosure movements of the past, has awakened old conflicts and temptations.

“The cooperative is a union of people into a single force,” Sixto told me, repeating what the government cooperative “promoters” had told him, as we went to talk with *campesinos* among the 16 Indian communities of the hacienda.

With the cooperative there will be modern educational techniques, even a school that goes to the fifth grade. [None of the hacienda’s seven schools—all built by the peasants themselves in recent years—go beyond the second grade.] With the cooperative we will have medical treatment. . . . With the cooperative social and economic differences will be removed. . . . We don’t know if this is entirely true. . . . We have been deceived many times. . . . There is much mistrust among our people. . . . Many want to divide the land among themselves and not have a cooperative. . . . We don’t know whether we will have a new life or just a new master, the government, which has expropriated the hacienda to form the cooperative. Many of us do not know what will happen. Do you think we are doing the right thing?

This question is hard to answer. Of the roughly 60 countries in the world now carrying out different kinds of land reform programs, Peru has delayed longest and presents some of the most difficult problems. Its most numerous and depressed rural population lives in a highland region that is grotesquely scarce in productive land, scattered in the folds of remote mountain valleys and on the upper reaches of the *puna*, dwelling within or at the edge of great *Iatifundia* like the Hacienda Lauramarca. Recent history has shown that agrarian reform is one of the hardest and most complex tasks any society can undertake. Virtually all the great revolutionary movements of this century—in Russia, Mexico, China, Bolivia, Cuba, Algeria, Vietnam—have held aloft the banner of land reform. The many official efforts to settle the old issue of man-land relationships have in some cases crushed the power of the landlord and the merchant, but in most cases have done less at the cost of much bloodshed, economic dislocation, and official deception. On my own journeys through Latin America over the past decade, I have seen thousands of peasants in several republics for whom the new land reform laws have done little but give them an unnegotiable title to the miserable patch of hilly, acidic, eroded soil that the landlord once assigned in exchange for 120 days of unpaid work on the hacienda; that is, the peasant has been locked into subsistence agriculture with provision neither for expanded production nor for new land for his numerous sons. According to the government study *Aspectos Sociales y Financieros de un programa de Reforma Agraria* (summarized in the *Peruvian Times*, December 11, 1970), there are only 149,538 potential family farm units of land available to the agrarian reform for 852,000 eligible peasant families.

In what is probably the best book to date on the world’s postwar land reform movements, Doreen Warriner writes

...the recent measures in Persia have been successful, and are indeed unique, because the reform was started, and in the initial stage carried out, by a leader who believes in the peasants’ power to manage their own affairs, and the affairs of their country. This belief nowadays is rare, and even rarer is the capacity to give it a practical form.... Before

criticizing this belief, therefore, international experts would do well to look at Latin-American countries, where the sophisticated talk is so patently insincere and produces laws which allow so much exemption to landowners that the area distributed is whittled down to waste land, while officials safeguard their own position by inducing collective farming; or estates are purchased at prices above their market value and handed over to syndicates which cannot work them.

This historical record of error and corruption has led me to believe that the only meaningful changes in rural society and the land tenure system have come from violent or threatened action by the peasants themselves. In other words, agrarian reform succeeds only after the *campesino* takes matters into his own hands, and thus conquers his own feudal state of mind.

## What Hope in ‘Structural Reforms’?

THE GREAT QUESTION raised—and still to be answered—by the wave of “structural reforms” in Peru today is whether a country so corrupted and weakened by centuries of economic dependence on serfdom and slavery can become a just society. The new agrarian reform either will destroy the parasitism of the *mestizos* who have been feeding on the Indians for centuries, or it will quickly become a sad and lurid farce. The parasitic extraction of wealth from the Indian is such a great tradition even today that, traveling the length of the Peruvian sierra as my wife and I did last year in our jeep, one invariably sees the best land—the rich, semitropical river bottoms where the Andes descend below 9,000 feet—still used to grow sugar cane for making *aguardiente* for sale to the Indians, meaning that the most lucrative use of the best land lies in keeping the Indian drunk. Politically, the Andean departments of Peru traditionally have been somewhat akin to the Solid South in the U.S., with heavy overrepresentation in Congress elected by less than one-fifth of the voting-age population, since the Indians cannot vote because of the literacy requirement. The small *mestizo* electorate is so intimately involved with the bureaucracy that roughly one of every three voters is a public employee and nearly all the rest have close relatives working for the government. The rural and small-town economy is of such low productivity that the bureaucracy has become the main route of advancement for young *mestizos*, who become schoolteachers, army officers, and agrarian reform bureaucrats.

“Many *hacendados* and sons of *hacendados* are returning to the government as functionaries implementing the agrarian reform,” a young Peruvian anthropologist told me. “Many estate managers are staying on to administer the expropriated haciendas, so there has been little change in the traditional relations between *mestizos* and Indians.” The proliferation of Peruvian universities over the past decade has glutted the job market with ill-trained lawyers and agronomists. The number of agronomists graduated each year doubled between 1961 and 1965, and the only employment open to these graduates is in the agrarian reform bureaucracy with very low pay; indeed, not to employ them would threaten the government with the opposition of a jobless white-collar proletariat in the towns of the sierra. They often feel degraded by being stranded among the Indians, the idea of a desk job in Lima being closer to their hearts, and generally they work with little energy or enthusiasm. While it is still far too early for final judgments, the land reform so far seems to benefit its own employees more than the mass of peasants, and is threatened with strangulation by its own hands.

On a long reporting trip I made to Cuba a few years ago, I found that virtually every *casa*



*grande* of every nationalized hacienda had been converted into a school for the symbolic and functional purposes of creating a new society. In Peru today most of the manor houses of the great haciendas are being inhabited by agrarian reform functionaries, and sometimes by army colonels as well. This may give added weight to a talk I had recently during a visit to Lima's Lurigancho prison with Hector Béjar, the lone surviving leader of the guerrilla insurrections of the mid-1960s. He is the lean, lithe, bespectacled son of an Ayacucho *hacendado*, born in the Andean area where he was to lead the most successful of the three guerrilla operations. "We of the left must be more agile now that the military have become revolutionaries," Béjar said wryly.

We can expect more social conflict as the agrarian reform is applied. You cannot expect peasants already in possession of invaded lands they paid for with their blood also to pay for it with 20-year bonds. The government cannot force this kind of payment. The hacienda system remains intact, with agrarian reform bureaucrats replacing the old *hacendados* and *majordomos* in running the haciendas, now called cooperatives. What we are seeing is a so-called revolution of the middle class on the make, an alliance between military and civilian technicians of the middle class, mainly interested in better jobs for themselves.

Hundreds of Indians listened quietly on the ground outside a whitewashed adobe schoolhouse on a bright Saturday morning in an assembly called by government "promoters" sent by the Ministry of Agriculture to organize the cooperative at the Hacienda Lauramarca. The *campesinos'* bodies were wrapped in worn and dusty ponchos, crowned with floppy sheepskin hats, with wads of *coca* bulging in their jaws. They sat on the ground in phalanxes of passive and muted suspicion, listening almost inertly to the speeches in Quechua of the *mestizo* "promoters" ranged before them behind a row of schooldesks and a small lectern from which they took turns presiding. Among the "promoters" were three *señoritas*—an anthropologist, a social worker, and a home economics teacher—very pretty in dark glasses and flowing kerchiefs beneath broad-brimmed cowboy hats, wrapped in the kind of neo-Inca wool ponchos with animal designs sold to tourists in Cuzco, the "archeological capital of America." The men were cooperative organizers, veterinarians, and agronomists, recently contracted by the expanding land reform bureaucracy, many of them sons of small *hacendados* of the Cuzco region. Speaking in Quechua, the "promoters" told the Indians:

The Revolutionary government has decreed the agrarian reform to end your sufferings. Within the hacienda we have set aside 25 acres to build a new town. All will come to live there. There will be a cooperative store with low prices. The agrarian reform will buy pure-bred animals to improve your herds. The cooperative will buy all your products, and you will have trucks of your own. We will build you a dairy factory to process your milk, butter, and cheese, and there will be artificial insemination as well, and you can bring your weaving to sell through the cooperative. Yet remember there is a law giving a jail sentence to those who say false things to sabotage the agrarian reform. You should report these people to the proper authorities.

After three weeks of visiting and persuading the Indians to form a cooperative, the

“promoters” left the Hacienda Laurainarca to form cooperatives elsewhere. Some of the more concerned “promoters” had urged the regional agrarian reform director in Cuzco that two or three staff members stay at the hacienda for a year or so to help the cooperative through its initial period. However, the director said that Lima had assigned him too many cooperatives to organize, and that he needed all the “promoters” he could get to swarm over the haciendas of the region so he could report to Lima that his quota had been fulfilled. Consequently, the formation of the cooperative had changed very little at the Hacienda Lauramarca.

“The Indians still live in their hovels and tend their animals and are cheated by the merchants of Ocongate, who tell them the agrarian reform will take away their land and their animals and will make them work from dawn to dark,” a young schoolteacher told me,

Then some students from the University of Cuzco came to the hacienda and told the peasants that the only real agrarian reform is with blood, that the land is theirs and they should not pay for it with government bonds. The Indians are very suspicious of paying dues to the cooperative. They actually had saved some money to buy the land, and were surprised that the agrarian reform would not be dividing the hacienda. The agrarian reform tells them the land and the animals are all theirs, but they are not sure this is true. They are so used to being cheated by the *mistis*, the *mestizo* merchants, and government officials they deal with, that they don’t know what to believe. When the Indians go to town to apply for a birth certificate so they can register their children for school, the municipal secretary of Ocongate requires them to bring “gifts” of sheep and cheese and beer, besides paying a high fee, before he will issue the birth certificate. As it is, the municipal secretary is often drunk, and swears violently at the Indians, and more often than not gets the child’s name wrong, so the boy or girl must carry the wrong name with him on identity papers and official records for the rest of his life.

Around the time the agrarian reform “promoters” left the Hacienda Lauramarca to form cooperatives elsewhere, a government-appointed manager moved into the manor house formerly occupied by the old administrator, and the new manager immediately tangled with the Indians—as did the old one—over their invasion of the central pasture lands reserved for the hacienda. The new manager was pulled from his horse by some Indian women whom he found herding their sheep through an opening they had cut in the barbed-wire fence. After this happened, my friend Sixto Flores Yucra, president of the new cooperative, told me in a moment of confusion and despair that the only escape for the Indian is to become a *cholo*, to become as much a part of the *misti* power structure as he can.

The *comuneros*, who have been cutting the barbed wire must be made to understand that they are invading state property, that they are abusing the agrarian reform effort and creating obstacles. . . . I was stupid not to reenlist in the army 20 years ago. They taught me a little Spanish and to read a little, although I never went to school, and by now I could have become a sergeant or a prison guard.

## II

### Twilight of the Gods

There's something cursed, it seems to me, about a country where men have owned men as property. The stink of that corruption never escapes the soul, and it is the stink of future evil.

—BERNARD MALAMUD, *The Fixer*.

ACCORDING TO AN OLD PROVERB of the Peruvian sierra, “the Indian is the kind of beast that most resembles Man.”

The Indian and his culture have always been Peru's great beauty and agony and main source of national identity. Yet the labyrinthine social and psychological depths of the Indian problem, raising complex issues of race, class, and property, are fully equal to those of the Negro question in the United States. Through nearly all its history, the Peruvian economy has depended on various forms of involuntary servitude, dating back to Inca times. For centuries in the colonial period, forced Indian labor worked the mines and haciendas of the sierra, while Negro slaves worked the great plantations of the coast in the kind of classic slave economy developed in the Caribbean and Brazil.

When Negro slavery was abolished in 1854, the coastal *hacendados* frenetically imported indentured Chinese coolies, under conditions resembling the outlawed slave trade, who were bossed in the fields and hunted as fugitives by freed black overseers. When international pressures forced an end to the coolie trade, recruiters from the coastal haciendas traveled among the Indian communities of the northern sierra, hiring Indians for their plantations with a small advance payment that trapped them into a permanent form of debt-servitude, and often paying local government officials a commission for each Indian recruited. The abolition of slavery had created a recurrent and critical labor shortage that led finally to the creation of a new native proletariat on these coastal plantations.

In the Andes the Spanish conquest pressed the former Inca empire into the European mercantile economy. Under the Incas all taxes were paid in labor, and money was unknown. After Pizarro captured and killed the Inca monarch Atahualpa in 1533, the customary peasant obligations to till the lands of the state and the Sun were transferred to Spanish Crown appointees called *ecomenderos* who, besides utilizing unpaid Indian labor, deranged the traditional economy by demanding tribute in gold and in produce not locally grown. At the same time the Inca draft labor quota for public works, known as the *mita*, was convened into mass mobilizations for forced labor in the colonial mines. The colonial bureaucracy was soon swollen with *mestizos*, mulattoes, and freed Negroes exacting more and more tribute from the Indians, who were also forced to buy a wide variety of luxury goods imported from Spain.

Shortly before he was captured and marched in chains to his execution before a grandstand full of Crown dignitaries in the Plaza de Armas of Cuzco, the rebel Indian chieftain José Gabriel Túpac Amaru (1741— 81), today the leading symbol of Fern's “Revolutionary government,” wrote a letter to a high official to explain the great rebellion. Wealthy, Jesuit-educated, permitted by the Spaniards to ride a horse and to collect Indian tribute, Túpac Amaru wrote to the royal *visitador*:

This system has placed us near death, with its immense excesses. What these Castellians have bought for 2 or 3 pesos they force on us for 10 or 12; a cheap knife is sold for 10 times the real value. They force on us brooches, fancy hatpins, blue bath powder, cheap eyeglasses, rubber stamps, and other ridiculous things, as if we Indians used these Spanish fashions.

Like Spain, Peru became a mercantile and bureaucratic society. It was modeled along the colonial principle that all traders and officials must be European Spaniards, and no overseas trade was permitted except with Spain. The same mercantile system was reproduced in miniature even in remote haciendas like Lauramarca, whose manor house was burned down in the Túpac Amaru rebellion, where the hacienda monopolized trade with its serfs, a practice later recreated among the new Indian proletariat on the coastal plantations.

The image of Túpac Amaru is everywhere in Peru today. His rebellion and martyrdom now have a kind of religious significance, and the “Revolutionary government” has adopted an imagined likeness of him as its official symbol. Although there are no extant portraits of Túpac Amaru, an extraordinary image of him has been created by the pop artists of the promotion department of the Ministry of Agriculture and spread about the country on billboards, in official pamphlets, and on signs at schools, factories, and at the entrance to expropriated haciendas where cooperatives have been formed by the government. It is a simple, black-and-white head with a high, broad-brimmed hat and a starched collar reminiscent of the dress of the Puritans of 17th-century New England; the image is symmetrical, save for a shadow on the left side of the face, which gives him a harsh, haunted, distant look. The shadow on his face stresses Túpac Amaru’s Indian facial structure, yet his upper-class European dress makes him resemble one of the old *mestizo* landlords of the sierra.

These old cultural molds are proving an imposing obstacle to the revolutionary changes being attempted in Peru today. This was shown dramatically in January when 5 Indians were killed and 20 wounded in a clash with rural police near the town of Carhuaz in the scenic Andean valley of the Callejón de Huaylas, which was devastated by the May 1970 earthquake that killed some 50,000 persons and left hundreds of thousands of others homeless. Whole towns were destroyed by the earthquake and then the avalanches of water and mud that descended into the Callejón when the crown of Mount Huascarán, the highest peak in the Peruvian Andes, collapsed and released the waters of an inland lake.

One of the most striking psychological phenomena in this havoc was the surviving *mestizo* townspeople’s intense fear of the surrounding Indian population. They preferred to sleep on cold mountainsides and live without food for several days rather than seek refuge in Indian huts. The rising tensions between Indians and *mestizos* in the area was reflected in an editorial in *El Piano de Huaráz*, the newspaper of the departmental capital, entitled “Campesino Go Home,” accusing the Indians of “causing a grave and permanent problem with the artificial presence of people [in Huaráz] who are not of the city but of the country. The influx stems from the handing out of food and this having finished there is nothing for you [Indians] to do in the city and therefore it is urged... that you go back to your homes and allow us to have a decorous life.” The paper also attacked the *mestizos* who “have quickly left their homes to rent them to banking and state entities at prohibitive prices and have gone to live in tents.”

The official version of the January clash between Indians and police at the Hacienda San Antonio outside Carhuaz sounds like an episode from one of the classic novels of the Peruvian sierra. Among the Indian communities surrounding Carhuaz leaflets were circulated containing the text of the decree-law governing reconstruction of the earthquake zone, with a false article added granting immunity for invasion of lands. Shortly thereafter, Indians from five communities descended upon the Hacienda San Antonio, which was owned by relatives of the subprefect of Carhuaz. The subprefect sent police to the hacienda, who arrested the *comuneros*’ leaders, upon which roughly 2,000 Indians surrounded Carhuaz, armed with sticks, machetes, and old guns. The Indians then entered the town in three columns, occupying the city hall, the main plaza, and the police station and taking the subprefect’s wife as hostage. The

departmental prefect ordered police reinforcements sent from Huaraz to “impose order in the zone,” resulting in 5 Indians dead, 20 wounded, and many more arrested on charges of “cattle-stealing, property damage, land invasion, violation of individual property.... etc.”

Shortly after the incident Monsignor Luis Bambaren, the tall Jesuit who is the auxiliary bishop assigned to Lima’s squatter slums as well as a native of the earthquake zone, issued a statement in his role as president of the Bishops’ Commission for Social Action which warned that the Carhuaz bloodshed is

a symptom of a deep malaise that summons us to reflect beyond these concrete facts to see more profound evils. . . . Good laws are not enough if an authentic revolutionary mystique does not exist at all levels of the public administration. Otherwise, frustration cannot be avoided in the face of incomplete execution of the laws or of deals contrary to justice that are made through conversion of family, friendship, or business interests.

Padre Ricardo Antoncich, secretary of the Bishops’ Commission, later explained:

The hopes of the dispossessed have been awakened, but these isolated events seem to show that distrust and disillusion are beginning to undermine this hope. I have seen a very bad situation in some rural zones where the agrarian reform has not been applied because of very complex difficulties. This is even more dramatic in the earthquake zone where practically all means of production have been destroyed. The commitment, moreover, is not to reconstruct the misery but to build a new society.

In a recent speech before 100,000 people in the Plaza de Armas in Lima, President Velasco dealt with mounting complaints of this kind.

We understand [he said] that the old public administration is inadequate for the purposes of a government that wishes to transform rather than maintain the traditional system. This explains why many public servants at all levels are insensitive to the changes of the Revolution. Moreover, not understanding that Peru now lives in a new epoch, many of them frequently act as saboteurs of the Revolution. The Revolutionary government will have to correct this situation with energetic measures. But citizens should also insist on a new attitude and should not tolerate any more the insolence, unjustifiable slowness, and corruption of bad functionaries. . . . We understand very well that many believed in October 1968 that this was just another military coup. This involved the initial distrust and skepticism of some sectors of the people and the true surprise of some intellectuals, who could not believe that this would be a revolutionary process. Nevertheless, nobody can now reasonably remain in doubt.

## **Background: Native Compradors and Foreign Entrepreneurs**

TO FULLY APPRECIATE the audacity of the reforms being undertaken by Peru’s military

rulers, no matter how flawed they may appear in their execution, one must have a much clearer idea of the peculiar concentrations of political and economic power that made Peru for most of its republican history the Land of the Interlocking Directorate. Its political history at times has seemed like that of a banana republic without bananas, and its successive economic policies a series of mindless scrambles for the next foreign loan, for which its export and customs revenues were regularly hocked as security.

The Peruvian ruling class, especially as it developed in the late 19th and early 20th centuries, was much less an oligarchy in the Greek sense of the word than a variant of the native *comprador* class that arose in China with the establishment of Western trading enclaves. Britain's financing of the Latin-American Wars of Independence made her the principal creditor of virtually every republic, and she soon became the dominant trading power in the area for the next century. Three large Peruvian bond flotations on the London market during the 1820s, equal to roughly five times the new republic's current revenues, made Peru Britain's third-largest debtor in Latin America within five years of winning independence; by 1875 Peru had borrowed more money in London than any of the other new nations. This enormous debt was made possible by Peru's exports of guano, the nitrogen-rich bird droppings dug from the offshore islands in the cold Humboldt current for its remarkable fertilizing properties, which by the mid-1850s was Britain's biggest single import from Latin America, bringing Peru its greatest wealth since discovery of the silver mines in the 16th century.

How the income from guano exports was used by Peru's rulers is a fascinating tale. In 1849, after payment of the British bonds had been in default for 23 years, the bondholders, backed by British diplomats and the British navy, won an agreement that half the proceeds of the booming guano sales in Great Britain would be delivered in cash to the bondholders' agents. Since the stuff was sold abroad on monopoly consignment to foreign merchant houses, who inflated shipping and handling costs, the Peruvian government's income from the London guano sales was greatly reduced. As a result of furious public debate in Lima as to whether Peru was being swindled out of its guano revenues, the government began issuing guano export franchises to Peruvian businessmen, whose first impulse was to sell them to foreign merchant houses at a profit. After this was officially prohibited, the same insiders launched a spectacular financial operation politely known as consolidation of the internal debt.

The government's internal debt largely consisted of old claims for property damages during the Wars of Independence; slaves drafted into the army; cattle and crops seized to feed troops; farms, buildings, and crops destroyed, etc. Friends of the government frantically combed the capitol's archives for old claims and forged other documents to exchange them for new government bonds that within three years swelled the public debt fivefold.<sup>74</sup> Such political scandal resulted that the new bondholders were afraid the government would fall and the next one would repudiate the debt; so the government secretly negotiated a contract with two French banks to swap the new bonds for gold to be repaid out of proceeds from guano sales in France. When the terms of the contract were published, a revolution occurred in 1854 that ousted the government, freed the slaves, and abolished the hated *contribución de indígenas*, the Indian head tax that was the mainstay of the internal revenue system. An investigating commission later decided that half the new bonds were based on illegal or fraudulent claims, but the new government chose to pay off the French bankers to save Peru's international credit standing.

In this way Peru became, until the present military regime seized power in 1968, one of the most submissive fields of foreign business operations in Latin America. The guano boom financed a program of high-cost railroad construction in the Andes executed by an American, Henry Meiggs. The bubble lasted less than a decade, and was fabricated entirely of bonds.

According to Meiggs's brother and partner, "you are probably aware that we take bonds for the work: The amount seems at first thought large, but if security amounts to anything, we have the whole of Peru, Boots & Breeches." When the bubble burst, Meiggs was even authorized to issue his own paper money to pay off his workers, mostly Chileans and Chinese coolies; Indian labor was so despised that many thousands of foreign workers were imported to build railroads even in the high altitudes that were the Indians' native habitat.

However, the government budget was so swollen by maintaining a large army, civilian bureaucracy and pension list, and by paying off a huge public debt that, even with its enormous guano revenues, the treasury was empty and railroad construction stopped.

By then the great mounds of guano sticking out of the sea were nearly exhausted. New hopes were raised from the booming nitrate industry in Peru's southern deserts, but these lands were soon lost in the disastrous War of the Pacific (1879—84) to Chilean armies that swarmed all over Peru, spurred on by Chinese coolies who served as a Fifth Column and mounted plantation rebellions in their vanguard. When the war was over, Peru and Bolivia had lost their nitrate lands—and Bolivia her entire seacoast—to Chilean and British nitrate financiers.

The guano boom left the Peruvian government in bankruptcy, but enriched many merchants and politicians in Lima, who plowed their profits into the sugar plantations and the nascent capitalism that formed the economic base of the Peruvian oligarchy. This oligarchy was not seriously threatened until the 1960s, when its economic and political power gave way under the impact of both the great peasant migrations from the sierra into Lima and the mushrooming of U.S. business investments in Peru, and the *coup de grace* was delivered by the present "Revolutionary government." Peru's financial prostration after the War of the Pacific, and its utter dependence on loans, led it to delegate its tax-collecting functions to a consortium of the five largest Lima banks, known as the *Caja de Depósitos y Consignaciones*, which for the next seven decades not only charged commissions for tax-collecting and indulged in fraudulent accounting practices, but also lent out the government's money at high interest both to the public and to the government itself. The great appeal of the *Caja* for the government was that it made the Lima banks a sure source of more loans and intermediaries for foreign credit. During the stock market craze and commodity boom of the 1920s, the Peruvian foreign debt increased nearly tenfold, mainly through \$143 million in loans from New York banks which led to the appointment of an American in 1921 as administrator of Peruvian customs to guarantee the loans.

One of the most notorious of all the escapades of the National City Bank of New York in Latin America during the twenties was the payment of a \$450,000 bribe to the son of dictator Augusto B. Leguía (1919—30) for "not interfering" with the floating of \$100 million in bond issues, which were sold at a handsome profit to American investors before Leguía was overthrown and the bonds went into default. The overseas manager of the National City Bank reported in July 1927, shortly before the bonds were issued, that "Its [Peru's] principal sources of wealth, the mines and oil wells, are nearly all foreign-owned, and excepting for wages and taxes, no part of the value of their production remains in the country. As a whole, I have no great faith in any material betterment of Peru's economic condition in the near future."

## **The Impermanence of Great Fortunes and Families**

THE MOST STRIKING PHENOMENON about the Peruvian oligarchy during this century

is the impermanence of the so-called great fortunes and families. Their economic ascendancy is nearly always truncated by two factors: their craven dependence on political favors and their degeneracy; i.e., incapacity to produce competent heirs. The French sociologist François Bourricaud may have had in mind the Prado family, which twice exercised the presidency in the three decades preceding 1962 and belonged to the inner circles for the rest of the time, when he observed that

these “empires” are much less centralized than they seem... and are often very badly managed. . . . The “empire” will defend itself, obtaining customs protection. In a short time the prices fixed by the “empire” are abnormally high, not only in comparison with foreign prices but also with internal competition, and it makes the wrong investments. The “empire” is nourished more by speculative than monopolistic profits. But when an adverse administrative decision comes, all is lost:

During the second administration of President Manuel Prado (1939—45; 1956—62), the Prados’ family bank, the Banco Popular, obtained a concession from the other banks belonging to the *Caja* to become the government’s principal revenue-collecting agent, and remained so until the *Caja* was nationalized in 1963. However, even this was not enough to assure the prosperity of Peru’s largest banking chain. When the “Revolutionary government” nationalized the nearly-bankrupt Banco Popular last year to prevent a takeover by the local subsidiary of the Chase Manhattan Bank, it found something approaching a Mafia-style operation of systematically using depositors’ money for loans to politicians and businesses and to the head of the clan’s homosexual partners. These unpaid loans were kept on the books as assets, and dividends on nonexistent profits were distributed among stockholders. The traditional private bank was at the heart of a group or clan’s business operations, and its primary function was to finance expansion of the group’s own political and economic activities. When the military regime took over the Banco Popular last June, there were so many bad loans to the Prados’ own businesses, many of which were themselves near bankruptcy, that the government found itself in a position to nationalize two television channels, a large newspaper, two textile mills, and Peru’s largest cement factory, besides the Banco Popular’s branches in neighboring Bolivia, which form that country’s largest private bank.

When the 1969 land reform law was decreed, one of the immediate consequences was the bankruptcy of an important ally and business associate of the Prados, the House of Aspíllaga, one of the traditional families of the Peruvian oligarchy whose mansion was a great aristocratic center in Lima. The source of the Aspíllaga fortune was Cayaltí, a 20,000-acre sugar hacienda on the north coast, but the family branched off into banking, insurance, cement, electric power, a brewery, glass-making, and real estate. The Aspíllagas have long held directorships of the Sociedad Nacional Agraria and the Banco Popular. Shortly before the agrarian reform was decreed, Cayaltí was sold to a syndicate of Cuban exiles and the Aspíllagas obtained a \$3.5 million loan from the Banco Popular on which no payment was ever made.

When I visited Cayaltí, once known as the jewel of Peru’s coastal plantations and one of the few that were entirely owned by Peruvians, there was a sign at the entrance that read: “Welcome If You Don’t Make Trouble.” The place was in acute decline and disarray, in contrast with the other, highly efficient sugar haciendas taken by the agrarian reform. The mill was reached by a bumpy, dusty road, littered with dried scraps of sugar cane, that differed greatly from the modern internal road systems of the other haciendas. The great manor house



looked across a garden and an empty swimming pool to the smokestacks of the mill that suffused the place with a strong smell of molasses.

The manager of the newly formed cooperative told me:

The place is in a mess. The mill has to be completely replaced. The workers' houses are hovels, built at the turn of the century. They are overcrowded because the owners didn't care who lived in them, and so the workers brought in their relatives from the sierra, giving Cayaltí a population of 19,000 supported by only 2,000 workers. The sons of Aspíllaga had no talent or appetite for the business. Many years ago they spent a lot of money on new machinery, and it turned out to be the wrong kind of equipment. There were strikes and social conflict, and they just didn't bother to come around anymore.

### III

#### *The Changes*

THE NEW AGRARIAN REFORM and the other radical measures decreed by the "Revolutionary government" are climaxing the swift and convulsive change that Peru has been experiencing in the postwar years. This process has embraced the rapid growth of towns, a flood of peasant migrants into the cities, the mushrooming of public education, the rise of a large middle class that dominates the government bureaucracy, the punching of penetration roads into remote mountains and jungles, and a series of peasant rebellions in the Andes of increasing frequency and violence that led to the guerrilla insurrections of the 1960s. In this process millions of Indians have become *cholos*, identifying with populist political movements and generating powerful pressures for reform.

The magnitude of this social epic is reflected in the recent educational statistics, which show that school enrollments doubled over the past decade and university attendance grew more than fourfold; indeed, between 1958 and 1966 the number of Peruvian universities increased from 5 to 34. Despite a tragically high dropout rate, incompetent teaching and backward curriculum, hundreds of thousands of peasant teenagers each year move into adobe hovels at the outskirts of provincial and departmental capitals to finish their primary and secondary studies, subsisting mainly on potatoes and *chuño* sent monthly by their families in remote villages and Indian communities.

Between the censuses of 1940 and 1961, 17 Peruvian cities doubled their populations, three of them growing more than tenfold. But the most dramatic instance of urbanization in Peru is the avalanche like descent of peasants from the sierra into Lima, the classic primate city, which has tripled in size since 1940 to a population of about 2.5 million. Each day some 200 buses and from 1,000 to 1,500 trucks arrive from the Andes to La Parada, Lima's central marketplace and terminal, which is both the heart of the big city's underworld and the main sieve for the adaptation of new peasant migrants to city life. There are acres of *cholo* cobblers in blue work-aprons, sitting on rustic stools behind foot-powered sewing machines, waiting all day for a pair of shoes. Swirling crowds of peddlers and porters, fresh from the sierra, hustle for a dollar a day—far more than the going wage for unskilled labor in most provincial towns—wandering through the great market in rubber-tire sandals. La Parada is also where *barriada* land invasions of the desert hills surrounding Lima are organized by migrants trying

to escape from the teeming, reeking *callejón* slums of the center city. There have been more than 100 such invasions of vacant urban land over the past 20 years, the invaders inevitably carrying red-and-white Peruvian flags, answering with their slingshots the teargas assaults of riot police sent to evict them and to burn the gaunt shacks of straw matting and bamboo poles built on the desert hillsides overnight. Within two or three years, the shacks undergo a remarkable transformation, from straw to adobe to brick construction, financed by the savings of workers earning less than three dollars daily.

According to John Turner of the Harvard-M.I.T. Joint Center for Urban Studies,

let us imagine we are looking down on Lima. Looking back 25 years we see a smallish and quite compact city of some 600,000 people. Looking forward 25 years we see a sprawling metropolis of some 6 million inhabitants. Barring world catastrophe, Lima will have grown 1,000 percent or more in less than a modern man's lifetime and this will be typical of the majority of major cities in the urbanizing countries. Let us now look at the area that will have grown during those 50 years. Based on simple extrapolation of growth trends from 1940 to the present, by 1990 three-quarters of the population of the entire city—4.5 million people—would be living in areas originally settled by squatters—in *barriadas* or *exbarriadas*.

In this way the urban population of Latin America has been growing at two or three times the rural growth rates, with the marginal populations in the squatter slums increasing at three to four times the general urban rate. With such cities as Lima leading the way, the worldwide rate of urbanization between 1950 and 1960 was twice that of the preceding 50 years. Moreover, the present torrent of Latin-American urbanization differs basically from that of Europe a century ago, when the rate of industrial employment was much higher and the peasant migration rates were much lower. This growth has strained government budgets with enormous demands for schools, streets, hospitals, and electricity, and has hideously inflated the overhead costs of economic development. *The Economist* not long ago voiced growing alarm that cities like Lima "have outgrown their own means of livelihood. . . . Urban growth has become pathological. It threatens to overlay and stunt the healthy elements of expansion." Nevertheless, few Peruvians would disagree with the contention of their able foreign minister, one of the ideologues of the "Revolutionary government," that "the *barriadas*, a new phenomenon, are a symbol—despite their scars—of the process of liquidation of the feudal system in the Andean region."

## **The Progress of Land Reform**

WITHIN MONTHS of the inauguration in July 1963 of President Fernando Belaunde Terry, a son of provincial aristocracy with immense showmanship and popular appeal, the Indian communities of the central sierra invaded two giant sheep ranches, each roughly the size of Rhode Island, of the U.S.-owned Cerro de Pasco Mining Corporation and the wealthy Fernandini family, which has important cotton, mining, and real estate interests elsewhere in Peru. Hungry for more pastures because of heavy demographic pressures on their communal lands, thousands of Indian families, sounding comets and carry-big red-and-white Peruvian flags, cut the wire fences of these great haciendas and descended upon their upland pastures to build precarious huts. Some came on horseback behind women who formed the forward pha-

lanx, marching with swaddled infants on their backs, casting stones with slingshots at police assault troops with punishing accuracy. President Belaunde, who was elected on a promise of land reform, traveled with his entire cabinet to the mountain town of Junin and, with great ceremony, signed a pact with Indian community leaders that promised them new lands under a sweeping agrarian reform if they would stop the invasions. To keep his word in the face of protracted congressional debate over a new land reform statute, Belaunde borrowed \$5 million from the Chase Manhattan Bank at commercial interest rates to finance expropriation of the Fernandini estate, Hacienda Algolán.

Near Cuzco, meanwhile, a group of Indian *comuneros* led by a few Trotskyites attacked the Hacienda Ninabamba; The landlord and his son had submachine guns which they fired from the chimney and windows of the manor house, killing eight peasants and wounding 23 more; the incident caused the fall a few days later of the first of Belaunde's eight cabinets (in five years) under censure by an opposition parliament controlled by landlord interests. In January 1964 several hundred peasants invaded the bottomland of the Hacienda Onocora near the town of Sicuani, where the pasture land and an old flour mill were disputed in a battle between *comuneros* and police that left 17 dead and 30 wounded, leading to a suspension of constitutional guarantees in the southern sierra and a police roundup of "communist agitators." One of those arrested later told me, "The *sindicatos* we organized could not be stopped. I went to Sicuani to tell them not to take rash actions, but the *comuneros* would not listen and kept on seizing hacienda lands all over the province."

It was under President Belaunde's rule that, in 1964, Peru's first general land reform law was finally passed by a Congress frightened by the wave of peasant rebellions and land invasions in the sierra. The 1964 law broke new ground by providing for payment for expropriated lands in bonds instead of cash, but otherwise tried to bestride, blunderingly, the great peasant clamor for land and the demands for protection of powerful landlord interests. Few events of the 1960s did more to discredit the parliamentary system than the deals made by the political parties in control of Congress to create in the 1964 law huge procedural obstacles and exemptions preventing the expropriation of large haciendas—for which, in any case, the land reform agency was systematically starved of funds. At the same time, the 1964 law aggravated Peru's *minifundio* problem by promiscuously granting provisional titles to hacienda serfs for the marginal lands they had occupied for centuries, without either expanding these tiny subsistence plots into more productive units or providing financial or technical support to improve them.

The new and more radical land reform law of the "Revolutionary government" was drafted mainly by technicians who had worked with the 1964 law for five years, and retained many of its key provisions. The main differences are the streamlining of expropriation procedures, elimination of escape clauses, creation of a minimum family-farm unit (7.5 acres), and granting export priorities to cooperatives formed by agrarian reform beneficiaries. The biggest difference, of course, is the will and authority of a military regime to carry out an ambitious expropriation program aimed at eliminating all old-style *latifundios* by 1975.

### ***Land Reform on the Coast***

ON THE DAY OF General Velasco's speech proclaiming the new land reform law, the "Revolutionary government" moved to expropriate the great coastal sugar mills and haciendas, or "agroindustrial complexes," that had been specifically exempted from expropriation under

the old law.

The most important of these “agroindustrial complexes” is Casa Grande; the largest sugar hacienda in all South America and the biggest agricultural estate in Peru, with 260,000 acres in the rich Chicama Valley on the Pacific Coast and another million acres in cattle and timber lands in the northern sierra and along the semitropical eastern slopes of the Andes. Casa Grande today is an ocean of tall, golden-green stalks of sugar cane, with small clearings for sleepy towns that once were Indian communities, long ago deprived of their lands, with such names as Ascope, Santiago de Cao, and Paján, centers of the great Chimú culture of pre-Inca times.

For irrigation, there are 159 small dams operated electronically from a central switch board. The irrigated fields spread westward for nearly 30 miles from the Pan-American highway to the foothills of the Andes, where the Chicama River begins to form its broad flood plain, the biggest of the 50-odd river valleys producing occasional green gashes of fertility along Peru’s 2,000-mile desert coast. Among these dense masses of sugar cane runs an excellent system of asphalt roads, better than any public highway in Peru, built for large trailer trucks bringing cane from the fields to the towering mill that belches smoke day and night, forming the center of this little world, built right next to the master’s house that is shaded by huge trees a century old.

The mill is the greatest modern monument of the valley, built more than a half-century ago by the German owners of Casa Grande, the Gildermeister family. It took German engineers four years to install the new machinery after the Gildermeisters merged with a Bremen consortium that financed it, beginning operations just in time to cash in on the post-World War I boom in sugar prices. The insatiable appetite of the huge mill for more and more cane, plus the powerful financial backing of the Gildermeisters that enabled them to benefit from the boom-and-bust cycles of the sugar industry when smaller enterprises failed, turned Casa Grande into the center of an efficient and constantly expanding economic machine. In this way some 2,500 families lost their farms to the three great haciendas of the Chicama Valley, Casa Grande and Laredo, owned by the Gildermeisters, and Cartavio, owned by W. R. Grace & Co. of the United States. In the meantime the valley became one of the main industrial centers of Peru, with 100,000 workers concentrated there, turning the mill centers into virtual cities with administrative offices, churches, a hospital, primary and secondary schools, bank branches, stores, and later movie houses, all surrounded by the densely packed workers’ dwelling compounds.

To the tensions created by the swallowing-up of hundreds of small haciendas by the great estates and the sudden creation of a large rural proletariat, another development at Casa Grande was added that disturbed the life of the region even more. Between 1917 and 1920 The Gildermeisters came to the aid of the financially desperate government in Lima with loans totaling (British) £ 244,000, and obtained a permit to build their own port through which they could export sugar and import consumer goods duty-free. They established a huge super-market, or “bazaar,” on the hacienda which made Casa Grande the dominant commercial establishment in the region, mining local merchants in the city of Trujillo thanks to price advantages derived from the Gildermeisters’ having their own ships, railroad, and duty-free port.

Business activity practically ceased in the small towns of the valley, and the Chamber of Commerce of Trujillo repeatedly protested in vain to the government against the “scandalously ruinous” practices of unfair competition by the bazaar at Casa Grande. The result was a political alliance against the power of the Gildermeisters between the dispossessed landowners of the Chicama Valley, the urban middle class, and the new sugar proletariat on the great haciendas, a pattern repeated throughout northern Peru. This led to the formation of Latin

America's first "multi-class" political party, APRA (American Popular Revolutionary Alliance), the only mass movement in Peruvian history, which has drifted steadily to the Right over the past three decades, yet remains Pen's strongest political party. The leadership of both APRA and the Peruvian military officer corps come from the provincial *mestizo* middle class, yet an alliance between the two has always been blocked by the blood feud resulting from a 1932 APRA uprising in Trujillo in which 11 army officers were taken hostage and killed, and later hundreds of APRA followers were taken to the pre-Incaic ruins of Chan-chan in the desert outside Trujillo and shot by army firing squads.

In the years that followed, the political mobilization of the provincial *mestizos* would increasingly curtail the power of the coastal oligarchy, yet the feud between APRA and the army would leave the traditional ruling class plenty of room for maneuver. In 1948 the sugar and cotton barons could still induce a general to seize power, end exchange controls, devalue the currency to enlarge their exports, and crack down on the APRA unions on their plantations. Nevertheless, although the bitterness between APRA and the army continues, the larger social pressures involved were bringing this age to an end.

On a visit to Casa Grande a few months after it was expropriated by the agrarian reform, I chatted with an old field foreman who recalled the days early in this century when the expansion of Casa Grande was gathering momentum, when there were some 13,000 workers instead of the present automation-reduced payroll of 5,000.

At 4:30 each morning there was a big lineup in the plaza between the mill and the church [he told me]. The *patrón*, Gildermeister, was there himself, on horseback, as were the field bosses, and the peons were massed like foot-soldiers in a huge military formation, assigned for the day to this field or that, carefully counted so that just enough lunches would be sent to the fields at mid-day. The *patrón* was capable of showing up at the mill at crazy hours, at midnight or three in the morning, and would stand at the gate and personally beat up a worker if he found him stealing. Now the workers have begun to steal automobile and tractor pans from the workshops and plumbing fixtures from the mill. Since the agrarian reform took over, the new manager and his agronomists don't go out on horseback to inspect the fields. They go in jeeps, and they don't go deep into the cane. At night the new agronomists drive the hacienda's jeeps into the city of Trujillo to go to the movies. Before the agrarian reform it was impossible to take these jeeps outside the hacienda.

The agrarian reform, however, brought a number of important symbolic changes. An old sign was soon torn down that bore a Franciscan motto in Latin, "*Tace, Ora et Labora*" ("Be Silent, Pray and Work") that for nearly a century was seen above the old clock at the entrance to the mill; in its place was painted a likeness of Túpac Amaru and a famous slogan in Quechua: "*Ama Sua, Ama Llulla, Ama Kella*" ("Don't Steal, Don't Loaf, Don't Lie"). Shortly thereafter, a bulldozer demolished the high wall that separated the living quarters of the foreign technicians from those of the Peruvian workers, to great fanfare and applause. This was the idea of a severe-looking army intelligence colonel with a high-pitched voice who was serving as a kind of political commissar overseeing the operations of the three big sugar haciendas in the Trujillo area that were seized from U.S. and German interests. Each of the expropriated haciendas had such an army overseer, reporting directly to the chief of army intelligence in Lima, who also serves as chairman of the National Agrarian Reform Council. The colonel, a graduate of the U.S. army intelligence school in Baltimore, complained to me of

the low cultural level of those forming the organizing committees of the new cooperatives. We are trying hard to help them along, and we are working without a political banner. The new military man is one who thinks and has social feeling. This is a product of the revolution. We can no longer be indifferent to the problems of Pen and the deception of her politicians. We had left things to these corrupt civilians long enough.

Casa Grande and the other principal sugar haciendas of the north coast were expropriated within a few days of General Velasco's June 1969 speech proclaiming the agrarian reform. Since these "agroindustrial complexes" had been specifically exempted from expropriation, after skillful political maneuvering by the sugar interests, under previous agrarian reform legislation, the immediate seizure of the big sugar estates by the military regime showed that the "Revolutionary government really meant business."

At the 13,000-acre Hacienda Tumán, owned by the aristocratic descendants of Presidents Manuel Pardo (1876—79) and José Pardo (1904—08 and 1915—19), and given to the family by Congress after the elder Pardo was assassinated on the Senate floor, the group of Ministry of Agriculture officials sent to take over the hacienda were met by Tumán's young manager, Juan Pardo Aramburu, who blocked their path and said, "I am sure that President Velasco does not know what he has done in decreeing the agrarian reform law. He has been listening to a group of civilians acting behind the scenes. Also, why must he begin with Tumán, which is the country's fourth-biggest taxpayer?" One of the land reform officials replied:

I understand that your words are purely subjective, due to the expropriation of your hacienda. But I want to tell you that I think President Velasco knows just what he's doing. Wasn't his message to the nation on the purpose of the agrarian reform sufficiently clear? Apart from the social purpose, which is to give the land to those who work it, and the economic purpose, which is to redistribute agricultural incomes so as to expand the national consumers' demand for Peruvian products, the agrarian reform also intends to prevent the economic and political monopoly characterized by the existence of an agrarian oligarchy. (Quoted in *OIGA* [Lima: no. 331], July 4, 1969, p. 44.)

The owner of Tumán was forcibly removed from the hacienda. Within two weeks after Peru's new land reform law was decreed, Fidel Castro gave his endorsement: "Our judgment of this law is that it is in reality a radical measure that, if executed fully, can be described as revolutionary.... If in Peru a true revolution develops, it does not matter that those who promoted it are a group of military leaders."

## **The New Workers' Cooperatives**

THE CONVERSION of Peru's great agricultural estates into workers' cooperatives—instead of dividing the land among individual peasants—reflects an effort to preserve economies of scale and thus avoid the production declines and food shortages that have plagued most land reforms in this century. The cooperative formula in Peru draws upon the Christian Democratic ideal of communal property, the Marxist principle of collectivized agriculture, and a romantic notion of the ancient Andean traditions of the *ayllu*, or Indian

community, espoused by many Peruvian writers in this century. The idea of turning the big sugar haciendas into cooperatives was proposed by Belaunde in the 1956 election campaign, but it was first formulated nearly three decades before by the arch-enemy of both Belaunde and the generals and colonels who ousted him, Victor Raul Haya de la Torre, who wrote in his fundamental work, *El Antiimperialismo y el APRA*: “The belligerent strength of the middle classes must be used in the benefit of national liberation. They should join in defense of the anti-imperialist State. This supposes a new economic structuring, based on partial or progressive state comptrollership, and especially in the organization of a vast cooperative system.” When I asked an army colonel recently about the embarrassing paternity of the military regime’s pet project, he replied:

It’s true that APRA has been talking about this for decades. But when the time came for action, they always sold out to the oligarchy. When the 1964 agrarian reform law was being debated in Congress, they made a deal with the landlord interests to exempt the big sugar haciendas from expropriation. So what counts is not who talks about agrarian reform, but who carries it out.

Nevertheless, the success of the new sugar cooperatives, and indeed of the entire process of accelerated change, is being jeopardized by the failure of Peru’s military rulers and APRA, still the country’s strongest political party, to reach the understanding that the situation obviously demands. While the “Revolutionary government” firmly exercises political power, APRA just as firmly controls the *sindicatos* at the sugar haciendas and is in an excellent position to either support or sabotage the agrarian reform. Ever-mindful of this, the “Revolutionary government” repeatedly jailed APRA union leaders under a new “decree-law” providing summary imprisonment for “sabotaging the agrarian reform.” The military’s fear that turning the sugar plantations into cooperatives might simply mean handing control of these huge enterprises over to the local APRA political machine has led the “Revolutionary government” to fashion an extraordinary series of regulations governing the day-to-day operations of the cooperatives, which makes them flimsy semantic fig leaves for state farms.

The new rules prohibit membership in any of the governing bodies of the cooperatives to all persons who have exercised leadership in any political party, or who have benefited from special leave from their jobs while holding union office, a feature of both Peruvian labor law and most union contracts. Moreover, the administrative councils and general assemblies of the cooperatives are packed with white-collar and technical employees, and government representatives will control the finances of the new cooperatives until the expropriation bonds are paid off over a 20-year period. To make sure things run smoothly, the army colonels at each hacienda report directly to the chief of army intelligence in Lima, with frequent consultations with the 11 Intelligence colonels forming the COAP (Committee of Advisers to the Presidency) in the Presidential Palace that plans and oversees the execution of the reform program of the “Revolutionary government.” The increasing control of the agrarian reform program by the military intelligence apparatus was consummated March 31 with the appointment of General Enrique Valdés Angulo, chief of army intelligence, as Minister of Agriculture.

This supervision has not been able to prevent the agrarian reform bureaucracy from mirroring itself in an increasing number of local conflicts. I spent five weeks writing portions of this article in the town of Quillabamba at the edge of the Amazon basin in southern Peru, which had been the scene of the La Convención Valley peasant uprisings led by Hugo Blanco in the early 1960s and the short-lived 1965 guerrilla uprising led by Luis de la Puente Uceda. As a result of the peasant uprisings, Peru’s first agrarian reform law was specifically decreed in 1963 by an

interim military regime in order to expropriate land in the La Convención Valley. Seven years later, titles to the land were finally being distributed, and the local agrarian reform director proudly invited me to a ceremony in the village of Quelluno, deep in the valley, where the land titles were being handed out. In many parts of the valley, peasants were refusing to accept their titles because the plots of land granted them were too small and infertile, usually consisting of the tiny hillside subsistence plots they had always occupied.

At the ceremony in Quelluno a progovernment peasant leader, who had moved into the manor house of the hacienda after it was expropriated and set himself up as a coffee-buyer there, made an impassioned speech in Quechua, urging his audience to “denounce the counterrevolutionary enemies of the agrarian reform. The *campesinos* want arms to defend our agrarian reform.” After this speech ended, six peasants announced that they refused to receive their land titles, and they were immediately arrested. When I interviewed them 20 minutes later in the local police station, one of them said:

We stood up at the meeting to ask why we were getting just 10 or 15 acres on a steep hillside while some of our neighbors had between 200 and 500 acres each. We asked why there was no equality, since land is in abundance in some places and the rules say nobody can have more than 75 acres. We want more land, the land of those who have too much. The director of the agrarian reform said we could ask questions.

A good deal of class conflict has been generated by the coffee-growers’ marketing cooperatives that were formed to take advantage of export priorities granted by law to producers’ cooperatives. In practice, the cooperatives are dominated by merchants and richer *campesinos* who buy coffee from peasants desperately in need of cash and resell it to the cooperative at the higher price that is paid after several months. A young priest working in the valley, who is a specialist in cooperative education, told me:

Cooperatives imposed from above cannot function because they do not educate. The main problem is that there is not enough qualified personnel to keep accounts in order and to teach illiterate people who have been cheated all their lives how to trust each other. Savings-and-loan cooperatives in Peru have been in trouble because of bad loans. Consumers’ cooperatives are plagued by bad purchases and the difficulty of finding honest, competent employees. The government has decided to form cooperatives first and educate its members later. Perhaps this is unavoidable under the circumstances, but it creates great problems.

It is a striking and irrefutable fact that, despite these difficulties, the agrarian reform has generated remarkably little disorder or economic dislocation in nearly two years of accelerated land expropriations and the establishment of a new form of economic organization. Production has risen on the sugar haciendas because the agrarian reform coincided with the end of a two-year drought in the area, and the Nixon administration last year granted Peru a large raise in its U.S. sugar quota, at double the world price, in an effort to wind down the crisis generated by Peru’s seizure of the Standard Oil installations at Talara a few days after the “Revolutionary government” took power. The military intelligence system has closely controlled the functioning of the expropriated haciendas, yet has been wise enough to yield when faced with a serious confrontation with the rank-and-file workers. Nevertheless, there has been a nasty



series of crises and conflicts that point to serious problems in the future.

My visit to Cayaltí came shortly after the entire hacienda had gone on strike in support of the workers' *sindicato* against the cooperative, despite the government's arguments that unions are no longer necessary because the haciendas now belong to the workers' cooperatives. The government has been trying to break the unions, most of them controlled by APRA, by ending check-off of union dues and special leave for union leaders and by requiring that the workers address all petitions to the cooperative as individuals and not through the *sindicato*. The strike at Cayaltí occurred when Antenor Vazquez, the recently elected secretary-general of the *sindicato*, was expelled from the cooperative for refusing to return to work after his *licencia sindical* was cancelled.

"The cooperative is still in diapers, but our *sindicato* has a long history, and it was the only thing we had to defend ourselves for many years," Vazquez, a stocky, bronze-faced man, told me as we talked in the midst of a large group of workers in a corner of a barren union hall, furnished with only a few benches and a blasting TV set.

When the order came ending *licencia sindical*, I went to Lima and was granted an audience with President Velasco, who was very cordial but said he had nothing to do with cooperatives. He asked me to give his greetings to the workers, which moved me very much. While I was away the administrator of the hacienda sent a letter to my house expelling me from the cooperative. My son received it and my wife cried, because it said we would have to leave Cayaltí, along with two other union leaders. We called a *sindicato* meeting and decided to strike, giving three days' notice. The new administrators of Cayaltí didn't believe we would strike, but the whole place was shut down. The departmental prefect called us to his office in the city of Chiclayo to discuss the strike, and had us arrested in his office when a decision came from a labor judge declaring the strike illegal. But I had written already to President Velasco, and Velasco had sent Col. Manuel Segarra of the COAP to settle the strike by talking with the *sindicato* and cooperative leaders. We agreed that things would stay as they were until a new cooperative law is decreed.

Why do workers strike against their own cooperative? Because they don't have real powers to govern it. There are no union members on the Administrative Council. I am now proposing that the Administrative Council and the General Assembly of the cooperative automatically include the *sindicato* with voice but not vote. Our workers are not able to discuss things with people with university degrees. The engineers know technology and know how to talk while we have many illiterates. We don't have enough education to be managers. Absolutely not. But our sons will be managers of Cayaltí.

## IV

### *The Brave Bulls*

THE FACE OF General Juan Velasco Alvarado is the face of thousands of men who sit behind small, linoleum-covered desks at army barracks throughout Latin America. There is nothing in the earlier career of President Velasco that differs from that of the great mass of *mestizo* officers climbing the steps of the military bureaucracy; some who have known General

Velasco throughout his army career say there has never been anything special about him to make him stand out as a reformer or revolutionary. The successful army officer is an ingrained bureaucrat. Since in Latin America there are few wars and always far too few troop commands for the number of officers seeking them, so superfluous diplomatic posts and staff jobs with fancy titles and no real purpose have to be invented, along with early retirement at full pay, to placate this important political constituency.

In an early presidential speech, Velasco said “we military men are not beginning now to learn about Peru; we have learned and explored it throughout our careers, from frontier to frontier.” Yet, quite typically of the officer corps, only 5 of Velasco’s 35 years in the army were spent in the provinces, and none of them in the sierra, Peru’s most depressed and populous region. He is a shy, passionate, moon-faced man who makes great displays of courtliness to the endless stream of visitors to his office in the Presidential Palace, though he prefers the language and customs of an army barracks. He sweats and fidgets profusely during his televised speeches, making them a droning agony both for the speaker and his audience, despite the soaring prose prepared for him by an excellent team of civilian speechwriters. General Velasco became president because he was senior commanding officer of the army when the army executed an “institutional” coup d’état on October 3, 1968— three months before his scheduled retirement—to make him the visible head and main spokesman of what journalists call the “Peruvian Military Revolution.”

Velasco’s biography is revealing, in view of the transformations undergone by the Peruvian military in recent decades. He was born in 1909 in the northern coastal city of Piura, at a time when Chinese coolie labor in the nearby cotton plantations was being replaced by Indians recruited in the sierra. Near Piura a Standard Oil subsidiary, the International Petroleum Co. (IPC), was building new installations—with segregated housing for foreign and Peruvian personnel—to which Velasco was to send army troops in order to nationalize it within a week of assuming the presidency, causing the worst crisis in the history of U.S.-Peruvian relations.

Velasco’s father was a poor sanitary Inspector in a suburb of Piura, but even this miserable job was subject to political pressures and he was fired after one of the many changes of government in the early 1930s. A high school classmate told me that young Velasco “had only one suit and one pair of shoes. He was clean but withdrawn, friendly but intimate with nobody, with a large collection of sports clippings and a great will to survive. He studied much, but had poor grades.” One of his teachers at the Colegio San Miguel in Piura, Hildebrando Castro Pozo, later became famous as a leader of the *indigenista* movement in Peruvian politics and letters that romanticized Indian communal traditions and agitated for social reform. When Velasco finished high school he could not enter Chorillos, Peru’s military academy because he lacked the money to buy a uniform and a sword. One classmate said Velasco entered the army as a private and saved enough from his meager salary—plus tips from running errands and shining shoes—to enter Chorillos the following year.

1930, the year he entered Chorillos, a *zambo* colonel from Piura, Luis Miguel Sanchez Cerro, led a provincial rebellion that ousted the 11-year Leguía dictatorship and launched Peru into a new era of conflict, enlivened by recently imported Marxist and fascist social theories. 1932, Velasco’s third year at Chorillos, the bloody APRA uprising occurred in Trujillo and the slaughter of the 11 army officers taken hostage there was to engender hatreds that have never been erased. In 1933, Velasco’s last year at Chorillos, Sanchez Cerro was assassinated, allegedly by an *Aprista*, making way for another six years of military dictatorship. Velasco’s first important post on the bureaucratic ladder of the army was director of Chorillos from 1950 to 1953 under the violently anti-APRA dictatorship of General Manuel Odría (1948—56). One

of Velasco's main tasks as head of Chorillos was to instill in the cadets a fervent fear and hatred of APRA, and Velasco had to be especially convincing in this role because he was married to the clever and beautiful daughter of an APRA leader from Piura. In 1950 a new command school for senior officers called CAEM (*Centro de Altos Estudios Militares*) was founded to engage generals and colonels in a year of full-time study of Peru's social and economic problems. In future years CAEM would serve as a meeting ground between some of Peru's ablest officers and the leftist politicians and intellectuals who lectured there. Both this ideological *aggiornamento* of the Peruvian military and its hatred of APRA prepared the ground for the coup d'état of October 1968.

Military life as an agency of social mobility is as old as armies themselves. This social dynamism is reflected in the biographies of President Velasco and many other Peruvian military leaders, the army being the image, roughly speaking, of modern Peruvian society in that the officers are *mestizos*, the sergeants are *cholos* and the privates are Indians. Most army officers come from middle class *mestizo* families of provincial towns, and stand somewhat uncomfortably apart both from the great mass of Indians and *cholos* beneath them and families of whiter skin that form the traditional landholding and commercial oligarchy. Of Peru's generals serving in the period 1955—65, 56 percent were born either in the sierra or the Amazon region, while 94 percent of the directors of Peru's largest corporations in the same period were born in Lima or elsewhere on the coast. The impact of the army officer corps on the profits and practices of these corporate directorates since 1968 is now a matter of historical record. Since the Wars of Independence, many men of low social origins have risen to positions of power in Peru, especially through the army. But never before have the provinces descended in mass upon the capital to transform the nation's social structure, nor has the provincial middle class ever before fused with such great effect its pretensions of nationalism and social reform.

One of the curious things about the "institutional" military coup of 1968 that created the "Revolutionary government" is that it was plotted and executed by a small elite of army Intelligence and Ranger officers who had played key roles in suppression of the 1965—66 guerrilla uprising. As far as I could determine, none of the other branches of the armed forces were directly involved, although there had been coup rumors for several weeks. The navy and air force had no choice but to fall in line when confronted with the *fait accompli*. The new regime moved quickly to consolidate its military and popular support. It brought high-ranking officers from the navy and air force into cabinet and other high posts and, six days after the coup, seized IPC's Talara refinery, thus ending by fiat 50 years of angry litigation and recrimination—after the agrarian reform, the most popular measure taken by the "Revolutionary government."

Several months later, one of the Peruvian army's leading counterinsurgency specialists, a cultivated officer with a law degree who personally ushered the once-popular President Belaunde out of the Presidential Palace in Lima at 5 KM. on October 3, 1968, received me in his office in the Palace, where he was serving in the brain trust of 11 Intelligence colonels that guides the reform movement in Peru today.

There is an international conspiracy to overthrow this government [he told me]. We are accused abroad of being Communists because we are not operating in a constitutional democratic system and want profound changes. It is true that army officers were forbidden to read Marx and Mao Tse-ung before, and now they are not. I first studied Marxism in France during the 1950s while taking courses at a French army counterinsurgency school. In 1962, after returning to Peru, I was sent to La Convención Valley near Cuzco when the peasants rebelled under Hugo Blanco. Another young colonel was sent to the central sierra to talk with

the Indian communities that had invaded the great sheep ranches to obtain land. I realized how deep the injustices were and how explosive they could be if they continued. Most of the *hacendados* had fled La Convención, and Peru's first land reform law was decreed in 1963 specifically to divide the land in the valley and end forced labor. We came to realize that the whole nation needed the same treatment if we were to survive in peace. So far we have changed things without bloodshed.

## Cause, Kind, and Progress of the Military Coup

THE REAL CAUSES of the military coup are more complex. The Belaunde regime was probably the most progressive to date in Peruvian history, and during its five years in office, both per capita income and school enrolments increased by 50 percent, agrarian reform was begun, Peru's wretched highway system underwent a huge expansion, and the oligarchic private banks were stripped of their tax-collecting functions and their control of the Central Bank. A handsome architect with a bold program of social reform, Belaunde was supported by the military in the 1963 election after the army had stopped the counting of ballots and seized power the year before, when it appeared that Haya de la Torre and APRA would win the 1962 election by a narrow margin. Because of his military backing and the anti-APRA fervor in his own *Acción Popular* party and among his Christian Democratic allies, Belaunde was unable to form a parliamentary affiance with APRA, which joined in an "impossible" pact of its own with the right-wing forces of ex-dictator Manuel Odría that had persecuted APRA for many years.

Belaunde's reform program was faced from the beginning with a hostile congressional majority; parliamentary votes of censure forced some 20 cabinet changes in five years. The histrionic architect quickly lost the will to fight; shortly after his inauguration Haya de la Torre, now a toothless old man, contemptuously called Belaunde a *señorito*—a spoiled son of the aristocracy. The long political stalemate was complicated by a series of contraband scandals involving prominent military officers and politicians and by a financial crisis leading to a 50 percent devaluation of the Peruvian sol in 1967. This caused both Belaunde's party and his Christian Democratic allies to split in half, forcing the greatly weakened government to reach an understanding with APRA that cleared the way for what would have been an easy victory for Haya de la Torre in the presidential elections set for 1969. At this point the military made its move.

A few days after the coup, army troops surrounded the vacant building of Congress in downtown Lima and removed a large quantity of documents, including a list of high-ranking officers implicated in the contraband scandals that had shaken the Belaunde regime. Among those involved were the navy minister, the naval intelligence chief, and the director of the PIP (Peru's FBI). The navy minister and the PIP director were forced to resign, but the naval intelligence chief survived to head a "moralization" purge of the Finance Ministry and the Central Bank that deprived Peru of some of its best economists. Two weeks after the documents were removed from Congress, a press conference was called by the new interior and police minister, General Armando Artola, a bald, beefy, blustering cavalry officer in dark glasses who was chief of Army Intelligence during the 1965—66 guerrilla insurrection. The son of a cabinet minister in Odría's military dictatorship, Artola announced at his press conference a new "moralization" campaign to purify official life, and denounced the "golden bureaucracy" in the dissolved Congress that included flagrant payroll padding and globetrotting at government expense. (When last May's earthquake occurred, a large

expedition of military officers was in Mexico City at government expense to watch Peru play in the World Cup soccer matches. Ostensibly heading the delegation was General Artola himself; but when the earthquake broke he could not be located in Mexico and finally was traced to a penthouse suite at the Hotel Lido in Miami Beach.)

Six months after the coup, the magazine *Caretas*, which had relentlessly exposed the contraband scandals in the Belaunde regime, reported and commented on a new “decree-law” enabling the government to summarily purge army generals who were out of line politically, as well as one of the four unpublicized pay raises that the military had received since taking power. The whole issue of *Caretas* was confiscated and its independent editor, Enrique Zileri Gibson, deported from the country. The *Caretas* article had criticized the army pay raises as being “inelegant, unjust, and politically negative in view of the recent extension of the salary freeze of other public employees for economy reasons.”

Otherwise the “Revolutionary government” has been able to muzzle and intimidate the Peruvian press quite thoroughly. Two of the Lima dailies have been taken over outright, and the rest have been so cowed by a stringent new press law and close supervision by the Interior Ministry that they refrain from reporting stories that might embarrass the government, like the killings at Carhuaz or the strikes at the expropriated sugar haciendas. The most notorious case was the expropriation of the tabloid *Expreso*, owned by Belaunde’s ex-finance minister, which was turned into a workers’ cooperative with a government-appointed manager; the leftist intellectuals who now edit *Expreso* each assigned themselves three or four salaries drawn in the name of relatives, and have turned the paper into a servile official organ.

Last November, when *Caretas* sharply criticized economic policy and accused the “Revolutionary government” of censoring the mails, citing as an example Artola’s reading aloud of intercepted letters at a press conference, the magazine was attacked from three sides: its offices in downtown Lima were taken over by 15 government tax investigators, and Zileri, who had been allowed to return from his 1969 exile, was accused of obscenity and “crime against press freedom” by the Interior Ministry and the attorney general. Although the government did not refute the charges of mail censorship, Zileri was found guilty, fined a month’s salary, and given a six-month suspended sentence subject to “good behavior.”

These abuses, however, should not becloud some of the extraordinary changes that the social conscience of the military has undergone in recent years. In the late 1950s, politicians began to talk of a “Nasserist” trend in the armed forces, suggesting a movement akin to the militant lower-middle-class Egyptian officers who in 1952 overthrew King Farouk and set up a reformist regime trumpeting a new “Arab socialism.” In 1958 the Peruvian army began to strengthen its intelligence apparatus to deal with the wave of strikes and street disturbances that, in 1956, followed the end of an eight-year military dictatorship and the resumption thereafter of free trade union activity. The general who directed these intelligence operations for the next four years told me recently: “The army was getting tired of being called in to put down the revolts of starving peasants. We were worried about Communism, and we wanted to know who else was behind these uprisings. But we began to tell the landlords and politicians that this dirty work was no longer for us.”

Over the past decade, the Peruvian army has come to be known as one of the most professional in Latin America. Part of this, undoubtedly, is due to the sharp competition among the 3,500 officers to fill the few top positions (160 colonelcies and 39 generalships) available to those rising from the junior ranks. This in turn has led to an emphasis on advanced study and merit as a key to promotion, with Peru having, for example, sent more military personnel to study in the United States than any other hemispheric republic save Brazil, which has an army roughly three times its size. The close relationship with the U.S. military establishment has

generated, not surprisingly, an unusually strong love-hate syndrome among Peruvian officers, which is intensified by their dependence on U.S. handouts and bargain sales of surplus military equipment. “Although the surplus equipment we have been receiving from the United States may be obsolete by the standards of your army,” a ranking cabinet officer said in an interview, “they are instruments of modernization for us, and require a kind of industrial organization that Peruvians have never built before. This has made us drastically update the curriculum of our military academies, making the army the most modern national institution that Peru has today.”

The transformation of the Peruvian military from a provincial constabulary to an insurgent force challenging U.S. policy in Latin America probably would have been impossible without an increasingly intimate dialogue with leftist intellectuals, such as took place at the CAEM between high army officers and the leaders of the mini-parties of Peru’s “Little Left” who today serve as advisers to the “Revolutionary government.” Shortly after the 1968 coup, the military began implementing a national development plan drafted at CAEM and submitted to Belaunde in 1965. The continuing dialogue between the military and leftist intellectuals gained momentum after Velasco’s speech proclaiming the new agrarian reform.

Around this time, members of a tiny Marxist party involved in the 1965—66 guerrilla uprising visited the Palace to talk with a group of colonels to offer their support. According to one of those present, a spokesman for the visitors said, “We Marxists support your struggle for Peru’s national independence, even if it is nothing more than that, because we know it will carry you outside the capitalist system.” One of the colonels replied:

Our decision to fight for national independence is irreversible. We are not socialists. But we would not reject such a solution if it were revealed to be absolutely necessary. We will not, however, allow this process of change to be controlled by Marxists in view of the experience of other socialist societies in depriving personal liberty. We don’t plan to persecute Marxists, but we are men of Christian philosophy.

Peru’s “Revolutionary government” follows the pattern of many military dictatorships of incorporating into their entourage many mini-parties of the Right or Left while denying any role to the larger parties dislodged by the military coup. This only partially explains the profound and wide-spread indifference of the great majority of Peruvians that I observed during seven months of traveling through the country, to the apparently radical changes in their society being decreed from above by the “Revolutionary government.” This indifference is all the more striking to a journalist who, on previous trips to Cuba, Guatemala, Santo Domingo, Venezuela and most recently Chile, has seen many thousands of people engaged in passionate conflict when such changes were in the air. This widespread passivity may be just another instance of the limited political participation that always has been an ingrained feature of Peruvian society. It was only in 1931 that Peru had its first real general election, and there were only 300,000 voters that year in a population of roughly 5 million. The electorate grew fivefold over the next three decades, but the literacy requirement kept it to roughly one-fourth the voting-age population, and the election results were often vetoed by military coups. As *Caretas* observed in 1968,

Some said recently when the October 3 coup occurred: “It had to happen!” This to us is nonsense. The people learn from their own experience, and those who aspire to guide the people should ponder well what they say. To suppose that only the military can solve our problems is to condemn all civilians eternally to the status of children, and to argue that in

practice democracy is worthless... . If our brief democratic experiences have led to disaster it has been because of the truly exasperating lack of precisely this democratic experience. Military coups do not suppress this evil, but nourish its cause.

For all the overwhelming popular approval that accompanied the decreeing of the agrarian reform or the nationalization of IPC, the military regime has been increasingly aware that it is operating in a political void. Its political rallies have had the ring of a packaged spectacle. In his speech last October a Lima's Plaza de Armas in observance of the military's second anniversary in power, Velasco admitted before one of those huge packaged crowds that "it has not been possible during this first stage to articulate an organized and massive popular support for the Revolution, nor to resolve completely the fundamental problem of the effective participation of the people in the revolutionary process."

A brilliant Peruvian general later told me:

One of our greatest defects is the military habit of ordering and expecting to be blindly obeyed. This just doesn't happen in society at large. We deeply want to transfer power to the people, but we have not been able to find a way of doing this. To call elections without first carrying out our structural reforms, without first putting real power in the people's hands through the agrarian reform and the Industrial Community, would just bring us back to the political farces of the past without any real improvement in Peruvian society. We admit that our greatest political problem is to give a real role to the people in the process that is going on right now.

## **Audacious New Industrial Laws**

THIS POLITICAL ISOLATION, however, has not inhibited the military from undertaking some original social experiments. The most striking of these is the total reorganization of Peruvian manufacturing production units into Industrial Communities, providing for gradual transfer of ownership and executive control to the workers. The two industrial laws decreed in late 1970 are among the most audacious pieces of economic legislation in Latin-American history.

The General Law of Industries (1) reserves all basic, heavy industry for the public sector; (2) gives factories a series of state-controlled tax and credit incentives for growth along planned lines; (3) distributes among workers 10 percent of net profits before taxes; (4) creates the Industrial Community, composed of all the firm's employees, including the old management; (5) devotes 15 percent of annual profits to the gradual acquisition of half the company's stock by the employees joined together in the Industrial Community; (6) provides progressive participation by the workers in management decisions as their stock ownership increases; (7) requires wholly-owned subsidiaries of foreign corporations to contract with the state fixing a term, after recovery of investment and a reasonable profit, for which foreign ownership would be reduced to one-third. Foreign interests in partnership with Peruvian capital can keep up to 49 percent.

Explaining these innovations to a meeting of business executives last November, Velasco stressed that "we know that this will be a painful, slow and difficult labor.... Until the beginning of the Nationalist revolution, Peru was subjected to the double and paralyzing pressure of

underdevelopment and imperialism.” He defined imperialism as “the domination exercised by foreign capital and technology over a society with an incipient and embryonic economy,” adding that

the Revolutionary government considers that the final source of wealth is labor.... The revolutionary laws in the industrial sector establish the participation of labor in the profits, management, and ownership of businesses. In pauperized countries like Peru, where the immense majority of people cannot save, to reject this point of view and to maintain that savings and not labor is the generator of wealth means indefinitely sustaining the poverty and backwardness of the great marginal social sectors and, therefore, to condemn the country as a whole to eternal underdevelopment.

The new industrial laws—taken together with the agrarian reform and the other new statutes governing the main sectors of fish-meal and mining as well as the “salami tactics” being used to nationalize gradually the private banks—bring into clear focus the effort to reorganize the Peruvian economy along statist and nationalist lines. The basic industries will be in state hands, and thus principal exports will be marketed abroad by government corporations. Agriculture and manufacturing will be concentrated in cooperative-type organizations subject to state fiscal and credit control, while artisan crafts and petty commerce would remain largely in private hands to absorb the great mass of underemployed at the fringes of the economy.

“It is an old story for the economy to be divided in state, cooperative, and private sectors,” observed one of Pew’s leading sociologists. “It comes essentially from two related sources: Christian Democracy and the Spanish fascists.” This, however, may prove a shallow judgment. One of the generals responsible for passage of the Industrial Law told me recently that

in decreeing this statute we knew we were taking a great risk. An initial draft of the law, that was pretty bad, was published by the Ministry of Industries for public discussion. After that we went through four more drafts in four months of intensive work on the law. The fate of the Industrial Community is now in the hands of the people: the workers, union leaders, factory managers and owners. If they work together constructively, the Industrial Community will be a success. After all, it is in the interests of everyone to work with greater discipline and efficiency to maximize profits for all. If they don’t work together, the old owner may find it more convenient to sell his remaining half to the Industrial Community. Then the system would change from co-management to worker management.

None of these implications have been lost on Peru’s business executives. New investment has dried up almost completely over the past two years despite assurance from the military that there is an important role for private enterprise in Peru’s “New Industrial Society.” To appreciate the staggering obstacles to the achievement of this goal, it might be well to look at the structure of the Peruvian industrial sector, which is similar to that of most developing countries. According to the 1963 manufacturing census, 82 percent of the 23,308 factories in Peru had fewer than five workers. Of the rest, two-thirds were located in Lima, mainly clothing and textile factories with imported second-hand machinery owned by Italians and East European Jews, and food-processing plants in the process of rapid absorption by large U.S. corporations, as they are in the rest of Latin America. Under past governments’ import-substitution policies, scores of other factories produce foreign-patented consumer



goods under expensive royalty arrangements. Nevertheless, the manufacturing sector has contributed spectacularly in recent decades to Peru's economic growth, increasing its product at an annual average of 9.3 percent between 1950 and 1967 and its blue-collar work force at nearly the same rate. This is quite a contribution to an economy with chronically high unemployment aggravated by rapid urbanization and a population explosion that generates massive pressures on the job market each year.

As expected, Ford and General Motors and the First National City Bank have withdrawn from Peru, and local businessmen have not only been shy of making new investments of their own money but also of accepting easy credit from the government. Their complaint against the new Industrial Law is less of sharing profits with their workers than of giving up executive control of their own businesses. Under the new law, the embryonic Industrial Communities have been organized and registered within 60 days of the decree. Some industrialists have left the country, but others have gone along philosophically, as reflected in this joke told by a leading Jewish businessman at the end of the executives' meeting addressed last November by General Velasco:

A king had summoned his people and showed them a donkey, ordering them to teach it how to talk. If they did not, many people would be killed. The people did not know what to do until a rabbi spoke up, asking the people to leave things in his hands; he would solve the problem. The rabbi went to the king and said: "Your majesty, I will teach your donkey to talk, and even give speeches, when I finish. I pledge my life as security. But, Your Majesty, if it takes a human being four or five years to learn to speak correctly, it should take your illustrious burro roughly 15 years. Then, there will be some expenses of feeding him and for my full-time work, etc. If you will sign this contract, Your Majesty...." When the rabbi told the elders of the town of his contract, they said: "You're crazy! They'll kill you!" "That may be true," the rabbi answered. "But I see it this way: In 15 years the king could die. In 15 years the donkey could die. Or perhaps in 15 years the burro might even learn how to talk."

This wait-and-see attitude might well be advisable for many other people. Like Mexico during the 1930s, Peru today is going through a period of extraordinary social and economic reorganization to achieve greater social justice. While these changes may be subject to retraction or modification later on, the social pressures that impelled them have influenced many governments and seem to be a permanent part of the Peruvian scene. In response to such pressures Peru's educational expenditures, for example, increased tenfold between 1955 and 1965, from 13 to 29 percent of the government budget, while public spending as a whole leaped from 11 to 20 percent of GNP. The important thing about the present "Revolutionary government" is that it attempts innovative solutions to the old problems of foreign domination and economic inequality that undoubtedly will leave some lasting benefits for the Peruvian people—as well as the disillusion of some failed experiments. It would be ideal if these reforms were carried out with the kind of massive popular support enjoyed by the Mexican Revolution, but this is not the case.

On the other hand, the economic dislocations proceeding from the changes decreed by the "Revolutionary government" have been cushioned by a boom in export commodities that in 1970 brought Peru's foreign exchange earnings above the \$1 billion mark for the first time. Roughly 85 percent of these earnings were in minerals and fishmeal, which under new legislation are being marketed abroad by state corporations. It is in this critical field of negotiating better terms of trade with the "metropolitan powers" that Peru, along with the other principal commodity-exporting nations of the Third World, is making some of its most dramatic moves. The great problem of these countries, as always, is to find or train enough competent managers, bureaucrats, negotiators, and technicians to fully develop and implement these policies, and to obtain enough capital and technology to bring these economic activities

under their own control.

This issue of a nation's control of its own economy has recently been made an even more urgent question for most countries by the extraordinary growth of what has become known as the multinational corporation. According to Robert Heilbroner,

71 of the top 126 [U.S.] industrial corporations averaged one-third of their employment abroad.... In 1966, the U.S. exported \$43 billion of goods and services to various parts of the world. In the same year, the value of United States overseas production—that is, of goods and services made in U.S.-owned factories or establishments abroad—came to \$110 billion.... For all the talk (and the reality) of imperialist domination, most of the underdeveloped nations want domestic foreign investment, European and/or American, for a variety of reasons. The multinationals pay higher wages, keep more honest books, pay more taxes, and provide more managerial know-how and training than do local industries. Moreover, they usually provide better social services for their workers, and certainly provide fancy career opportunities for a favored few of the elite. They are, in addition, a main channel through which technology, developed in the West, can filter into backward nations. To be sure, the corporations typically send home more profits than the capital that they originally introduce into the “host” country; but meanwhile that capital grows, providing jobs, improving productivity, and often contributing to export earnings.”

As in the rest of the world, the most dramatic expansion in Peru of the multinational corporations during the 1960s has been in the manufacturing industries. The profits are very high, often averaging 20 percent annually, allowing a corporation to recover its original investment in less than five years.

Even so, the corporate contribution to the host economy consists largely of organizational skills and technology, since the multinationals more often than not borrow from local banks to finance the establishment of new plants, and purchase machinery from the parent company at inflated prices. Until drastic measures were taken by the “Revolutionary government,” the Peruvian automobile industry consisted of 13 foreign-owned assembly plants producing 17,000 vehicles a year at roughly twice the U.S. retail price.

Take the case of General Motors del Peru. In GM's first year of assembling cars in Peru the company grossed three times its initial investment of \$5 million, with its local payroll and purchases amounting to 15 percent of sales, while its customs duties were halved as an incentive to assemble rather than import cars. Both General Motors and Ford, the local industry's two largest producers, closed their Peru operations as the military regime reduced the number of auto assembly plants from 13 to 6, ordered the remaining companies to produce 70 percent of their components in Peru and, under the new Industrial Law, gave all foreign corporations the choice of taking local majority partners or leaving the country.

## **Drastic Measures —the Example of Cuajone**

THESE DRASTIC if not desperate measures represent an effort by Peru and many other countries to influence the terms of their integration into the world economy. There is no doubt but that investments by large foreign corporations increase both the scale and quality of economic activity. Yet they do so with profit margins that in overall terms seem like economic

banditry, and greatly diminish the powers of national decision over the often conflicting priorities of consumer demand and capital accumulation. The multinational corporations are to the political economy of Latin America today what the “trusts” were to that of the United States at the beginning of this century—with the key difference that at least in the U.S. the great corporations generated a providential capital accumulation within its national frontiers. The drain of capital from the poorer countries to the richer ones, as recorded in U.S. Commerce Department statistics, is astounding. Between 1950 and 1965 U.S. private companies invested \$297 million in Peru and during the same period withdrew \$628 million in dividends, interest, and other remittances, while dollar accounts of Peruvians in the United States tripled. *The Economist* estimated the drain of capital from Latin America by mutual funds alone at \$450 million annually, equal to all World Bank loans to the region through 1968 and hail the area’s balance of payments deficit. This is why the “Revolutionary government” last May decreed one of the world’s tightest exchange control systems. While countries like Peru must fight the erosion of their export earnings by this dollar drain, they badly need the organizational and technical skills of the great foreign corporations. Pen’s finance minister told an audience of American businessmen in March that Peru will need \$700 million in foreign investment by 1975.

The great example of this problem is Cuajone, which will be one of the world’s largest copper mines, that lies nearly 12,000 feet high in the desert mountains of southern Peru. Cuajone is a giant open-pit mine containing 470 million tons of ore, capable of yielding 140,000 tons a year of near-pure “blister” copper. It will cost roughly \$355 million to bring Cuajone into production, a sum equal to all accumulated U.S. investment in Peru through 1956 and nearly twice all American investment since then. This enormous investment means 200-ton trucks and giant steam shovels able to remove the 200 million tons of earth that cover the ore deposit, \$50 million to build railways and tunnels—including one tunnel 10 miles long—leading from the mine to a new concentrating plant as well as \$28 million for two new towns. Cuajone will also be one of the world’s most automated mines, with computers used for such varied tasks as evaluating exploration data, calculating ore reserves, production scheduling, and complex investment analysis. Seen for the near future are automated rotary drills with digitized recording of data for computer calculation, elimination of draftsmen by computer-plotters, and conversing with computers in conventional language.

One of the most revolutionary things about Cuajone is the contract between the “Revolutionary government” and the U.S.-owned Southern Peru Copper Corporation to develop the mine. It was signed in December 1969, after a critical phase of what can only be called a continuing poker game for tremendous stakes between U.S. and Peruvian interests. Southern Peru Copper was formed in the early 1950s to exploit the neighboring Toquepala mine, and exercised options on Cuajone and Quellavico, the other two unexploited deposits in what should become the world’s biggest copper-mining complex. The Belaunde regime had lined up roughly \$700 million in new investment to bring several untapped copper deposits into production. When Belaunde was ousted, the mining companies held back on their investments and resisted polite pressures to go ahead until the leftist-nationalist Minister of Mines General Jorge Fernandez Maldonado delivered the companies an ultimatum: develop all unexploited concessions, or the mines would revert to the state. Within three months the Cuajone contract was signed, despite furious protests by leftist supporters of the “Revolutionary government” who urged exploitation of the mine by the state itself.

The Cuajone contract, if fulfilled, will be a major breakthrough in the relations between nations producing and consuming raw materials. The pressures for better terms of trade for producing companies have been strongest in copper and oil, and have left the consuming nations in a bad mood. Nevertheless, not only does the new Cuajone contract submit the

foreign mining enterprise to the highest degree of state control and taxation ever imposed in Peru, but it gives the state the option to refine and market the copper abroad, making the arrangement appear more like the “service contracts” now becoming popular in the oil industry. Despite the enormity of the investment needed to bring Cuajone into production, the contract will be valid only “during the period required for the recuperation of the investment, which may not exceed 10 years counted as from the date of the start of mining exploitation operations.” Again, if Southern Peru does not arrange financing for the entire \$350 million investment by June 1971, the concession will revert to the state.

That an American company in Peru will swallow such tough terms to retain a mining concession marks a new era in economic relations; but there is more to it than that. Peru, Chile, Zambia, and the Congo together produce 72 percent of the world’s export copper, a demand nearly doubled between 1960 and 1967 under the artificial stimulus of the Vietnam war. Since Zambia and the Congo recently nationalized their copper deposits and Chile is clearly about to do so, Peru is the last major supplying country open to direct operations by foreign companies. According to an American writer,

1969 was a frightening year for the great international copper companies. With nationalization in Zambia and an agreement for nationalization of Anaconda in Chile, plus the insecurity about the direction of change in Peru, most companies had to be most cautious in planning investments for the 1970’s.... Thus the biggest companies are reorienting their investment programs toward “secure” geographic regions—plus great new copper discoveries in the U.S. and Canada. There is also a growing flow of funds toward Australia, the Philippines, Mexico, India, Spain, and Yugoslavia. And not only the traditional U.S. and British companies are moving their money into these “secure” areas; the more aggressive Japanese and European companies are doing the same.

So the copper companies in Peru may simply be stalling for time, while political conditions turn to their advantage and new sources of supply are developed.

The poker game over Cuajone could involve the very survival of the “Revolutionary government.” The game runs this way: since the \$215 million Toquepala project of the 1950s and the even larger U.S. copper concessions in Chile could not have been brought into production without huge loans from the U.S. government, it is extremely doubtful that Southern Peru will find the \$350 million financing assets as required before the June 1971 deadline. President Nixon could just as well have been alluding to Peru, or the severe restrictions imposed last December on foreign companies by five nations of the new Andean Common Market, as well as the present jockeying over compensation for the U.S. copper companies in Chile, when he said last February in his “State of the World” message:

The 1970 election of a Socialist President [in Chile] may have profound implications not only for its people but for the Inter-American system as well. The Government’s legitimacy is not in question, but its ideology is likely to influence its actions.... We do not seek confrontations with any government. But those which display unremitting hostility cannot expect our assistance. Many governmental disputes flow from pressures against foreign private investment. Such investment plays a constructive role in development, for no government or public agency has the vast resources required for even basic development goals. It is clearly for each country to decide its conditions for foreign investment, just as it is for each investor to decide what conditions provide adequate security and incentives. The challenge for

governments and investors is to develop new approaches which satisfy the needs of both. We ask only that our citizens be treated fairly in accordance with international law.

The copper companies could deal a severe blow to the military regime by throwing the Cuajone concession back in the government's lap. Before the contract was signed, the Peruvians approached the Russians for help to exploit Cuajone themselves. According to the progovernment magazine *OIGA*, "the U.S.S.R. would be glad to lend the machinery for the exploitation of Cuajone by the state, but not the money needed for salaries and purchases on the local market. These are the same conditions required by the United States for operations of this nature. For the Russians, it is not a question of aiding a country trying to end its dependence, but a business deal like any other." When pressed further by the Peruvians, the Russians said they should talk to the Americans if they wanted better terms.

If southern Peru fails to get the money needed to finance Cuajone and the concession reverts to the state, it could find itself losing the Toquepala concession as well. The "Revolutionary government" could argue that Cuajone and Toquepala are essentially part of the same mining complex, and that the exploitation of these deposits has been blocked by international pressures that both threaten national development and jeopardize Peru's capacity to pay the \$650 million in servicing of hard-currency loans that fall due between 1971 and 1974. Since the development of Toquepala was financed by a \$100 million loan from the U.S. Export-Import Bank, this could lead Peru into a confrontation with the Nixon administration much more dramatic and significant than that of expelling JPC from Peru. If this possibility is considered remote by some, they should bear in mind the view recently conveyed to me by one of Peru's leading generals:

The Nixon administration has played its cards very intelligently in trying to diminish tensions over the nationalization of IPC. In fact, we would have preferred that Nixon apply the Hickenlooper amendment [cutting off all aid funds] so we could use it as a reason to radicalize our revolutionary process.

## What of the Future?

AT THIS STAGE, one cannot make conclusive judgments about this process. Evidently, the future of the so-called Peruvian Military Revolution will be determined in part by the success or failure of other commodity-producing nations in dealing, jointly or separately, with the major industrial powers. Beyond that, Peru's painful struggle with the economic and psychological burdens of feudalism and mercantilism and foreign domination will depend on how much political support the "Revolutionary government" can muster in the next year or two. The great trouble with military regimes, even reformist ones, is that they provide no long-term *political* solution. In most cases where the military seizes power, it truncates a nation's normal institutional growth and makes the army the leading political party, a situation that does not generate popular support except in the rarest cases. Peru's military regime will have to take drastic steps to become one of these exceptions. The main political parties have survived in weakened form, and are free to applaud but not to oppose, and the same goes for the press and the general condition of political liberty under the present regime.

It has welcomed the support of the weak Moscow-line Communists, but has met a mixed reaction among the ten or so other Marxist groups in Peru, which count for little anyway.

Although the economy is being reorganized along statist lines, a socialist revolution seems out of the question in Peru because the military cannot indefinitely remain a ruling party, and because it would impose immediate and intolerable sacrifices on the rising middle class of Lima, the classic Latin-American “primate city,” where population, wealth, and political power are heavily concentrated. Indeed, the army officers’ corps comprises leading members of this middle class and would probably be among the first to oppose such measures as abolition of private schools, one of the main pillars of class distinctions in Latin America, which Fidel Castro abolished in 1961 in one of the most decisive blows he dealt his middle-class political opposition. Nevertheless, to continue its present reforms the military will have to deal ruthlessly with both intractable social problems and its own traditional fear of mass political mobilization. Otherwise, the “Revolutionary government” can become increasingly repressive in coming years, with enervating slogans of “revolution” blaring over loudspeakers while the people are subjected to increasingly barren and restricted lives.

Like the leaders of the great majority of developing nations, Peru’s rulers are torn between the conflicting needs of tighter organizational control and the cultivation of the people. Success in achieving greater sovereignty and distributive justice, however, will depend less on financing than on finding local substitutes for the two key instruments of the multinational corporations: organization and technology. Whether the Peruvian people, and especially Peruvian bureaucrats, can run complex, automated mines and make a sweeping agrarian reform both economically productive and socially just, is the key to this extraordinary but still-undefined process of change. It may be Peru’s last chance.