

PERU'S CONFIDENCE GAP

Despite record-breaking economic performance, Peru has the region's lowest percentage of citizen satisfaction with public institutions.

by **Julio Carrión**

Peru stands out as one of Latin America's economic success stories—even beating out some of its larger neighbors who have escaped the worst effects of the global economic meltdown. While Latin America's economies grew an average of 4.6 percent in 2008, marking the fifth consecutive year of economic growth at rates exceeding 4 percent, Peru ended last year with a record four-year run of growth at rates above 6 percent. In fact, in both 2007 and 2008, it was the second fastest-growing economy in the region.

Peru's good fortune is expected to continue. The United Nations

Economic Commission for Latin America and the Caribbean (ECLAC) has predicted that economic growth in Peru will reach 5 percent in 2009—the highest growth of all Latin American countries and more than twice the expected rate for the whole region.¹

So why are Peruvians so anxious? Recent public opinion polls show that most Peruvians exhibit a degree of discontent with their political institutions that is usually associated with situations involving civil strife and economic stagnation.

On the surface, Peruvians should have a lot to feel optimistic about. The high inflation of the late 1980s and early 1990s, reaching an astonishing 7,481 percent in 1990, is now

just an unpleasant memory. Last year, Peru's inflation rate was 6.7 percent, two percentage points lower than the average for Latin America. According to ECLAC statistics, the percentage of people living in poverty in Peru also fell from 48.6 percent in 2004 to 39.3 percent in 2007.

The polls, however, highlight a problem that goes much deeper than concerns about economic security: the absence of trust in public institutions. Data from AmericasBarometer, led by the Latin American Public Opinion Project (LAPOP) of Vanderbilt University under the direction of Mitchell Seligson, show that Peruvians exhibit very low levels of political trust² as measured by an index

that combines five questions probing respondents' confidence in the national government, the judiciary, the Supreme Court, the National Congress, and political parties. The index (see **FIGURE 1**) ranges from 0 (no trust) to 100 (a great deal of trust).³

A well-functioning polity requires a healthy degree of citizen confidence in government and related bodies. In the absence of such trust, national institutions become vulnerable to antidemocratic threats. Figure 1 shows that similar concerns exist in several other Latin American nations, with Mexico, Uruguay, Jamaica, and Colombia hovering around the mid-point of the scale. But the table shows the average score of trust in institutions in Peru is the third worst of the region. This is not, unfortunately, an anomaly. Peruvian scores also ranked very low in the region in 2006.⁴

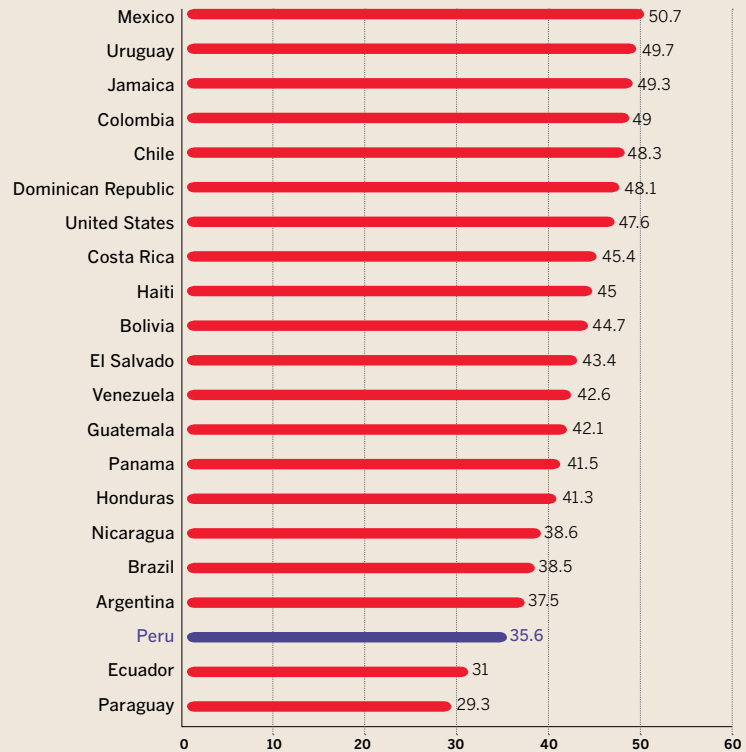
Criticisms of a country's political institutions do not necessarily spell doom for democracy, but low support for the very idea of democracy could have deleterious consequences. While the great majority of Latin American citizens endorse the statement "democracy is preferable to any other form of government," Peruvian support for this statement is notably less impressive (see **FIGURE 2**). The table shows that approximately 67 percent of Peruvians endorse democracy as their preferred form of government, one of the region's lowest numbers. In Venezuela, Costa Rica, Panama, Argentina, and Nicaragua, support for democracy is above 80 percent.

Another way to measure political discontent is by asking people their degree of satisfaction with the way democracy works in their country. AmericasBarometer reveals that about 65 percent of Peruvians feel "dissatisfied" or "very dissatisfied." This is the third-highest level of dissatisfaction reported in the region, exceeded by the percentages reported in Haiti (66 percent) and Paraguay (80 percent).

The "confidence gap" between

impressive economic growth and citizen satisfaction raises important questions that should concern Peru's governing establishment. Countries that have exhibited more modest economic growth in recent years report higher levels of political satisfaction than Peru. It is important to note that Peruvians have not always been so critical of their institutions. The AmericasBarometer data is fairly recent, so to identify trends we need to use the Latinobarómetro data.⁵ These surveys show that Peruvians had a fair degree of satisfaction with the way democracy worked in 1996. With 28 percent of respondents declaring satisfaction, Peru ranked sixth among 17 Latin American countries that year. A comparison of the Latinobarómetro data for 1996 and 2008 shows that only Costa Rica and El Salvador exhibited a similar decline. But Peru's 12-point reduction far out-reached Costa Rica (7-point drop) and El Salvador (3-point drop).

FIGURE 1: TRUST IN POLITICAL INSTITUTIONS, 2008



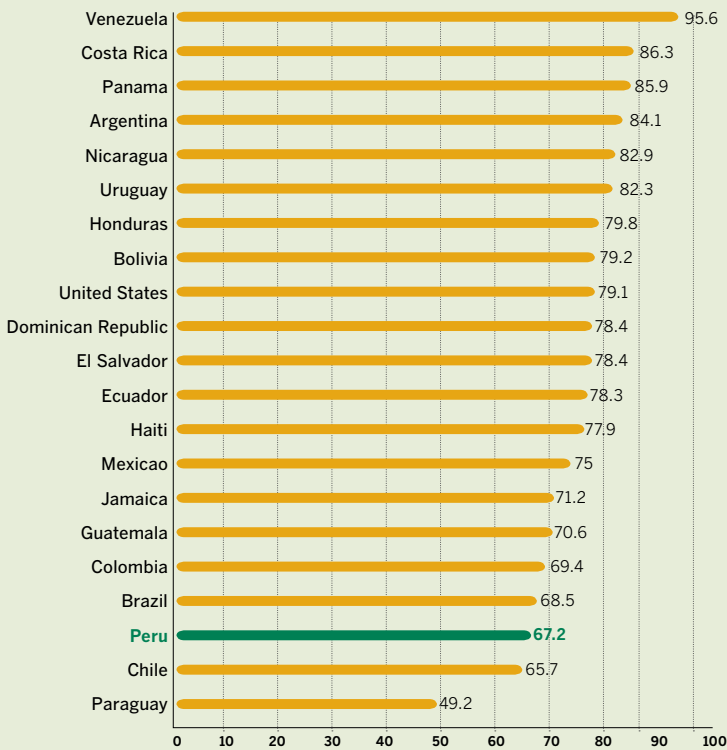
Why the Disconnect Between Economics and Politics?



closer look at the economic statistics offers one explanation for why Peruvians have become alienated from their political institutions. Despite the nation's significant growth in economic output, economic indicators that are closer to people's daily lives show less impressive performance.

Take real income, for instance. Average real wages in the cities have risen modestly in the last decade, by 8.3 percent between 1996 and 2007 (according to data released by Peru's *Instituto Nacional de Estadística e Informática*). But this figure hides the important fact that wages have largely remained stagnant since 2000. The most recent of ECLAC's annual Social Panorama of Latin America studies shows that incomes in Peru grew on average a paltry rate of 1.2 percent in

FIGURE 2: DEMOCRACY IS PREFERABLE, 2008



2006, and actually declined by 1.8 percent in 2007. The economic boom has evidently not fattened the pockets of ordinary Peruvians.

Unemployment figures are another indication of the inequitable impact of Peru's economic growth. ECLAC reports that urban unemployment remained virtually unchanged in 2008 in relation to the previous two years. It was 8.3 percent in 2008 and 8.4 percent in 2006. To be sure, there has been some improvement in this indicator: unemployment was higher in 2005 (9.6 percent), but it is also clear that job creation is lagging. The low levels of political trust arguably register Peruvians' disappointment that their government has not done more in this regard. While a small minority of less than 10 percent (according to the 2008 AmericasBarometer poll) rates the national economy as "good" or "very good," a solid 40 percent describes it as "bad" or "very bad." These figures differ very little from those

reported in 2006. The overwhelming majority (more than 70 percent) of Peruvians still continue to cite the economy as the main problem facing the country.

The Twin Evils Of Crime And Corruption



Another key factor in Peruvians' lack of confidence in their political institutions is the continued prevalence of crime and corruption. Peruvians report one of the highest levels of crime victimization in the Americas. About a quarter of those polled in 2008 state that they (or a member of their families) were victims of a crime in the previous year. Only residents of Argentina reported a higher degree of victimization that year. Moreover, a high percentage of Peruvians (55 percent) feel unsafe in their neighborhoods, and more than

two-thirds declare that the current levels of delinquency significantly threaten their future welfare.

Corruption also undermines citizens' trust in institutions and officials. About 27 percent of those polled in Peru in 2008 acknowledge having been a victim of at least one act of corruption (being asked for a bribe or extorted). Although this number pales in comparison to the one reported in Haiti (48 percent), it is the fifth highest found in the Americas. Similarly, there is a widespread perception that public officials are corrupt, with 47 percent of Peruvians stating that corruption among public officials is "very generalized."

Other Latin American citizens report levels of crime and corruption victimization close to those reported by Peruvians, but they do not seem to distrust their political institutions to the extent that Peruvians do. For instance, Chileans and Uruguayans acknowledge having been victims of crime in proportions that are close to the ones found in Peru. Mexicans declare they are affected by corruption at higher levels than Peruvians. And yet, the confidence level of Chileans, Uruguayans and Mexicans exceeds that of Peruvians (see FIGURE 1).

Unfulfilled Citizenship



These factors combine with another pressing issue of governance. Peru is a country of profound social inequalities, and most Peruvians feel that the state is either too weak or compromised to defend their interests. Peru's indigenous population which, according to different estimates, ranges from one-third to 45 percent of the country's population, residing mostly in the Andean highlands, fares very poorly on most social and economic indicators. While poverty has declined significantly in the last five years as a result of economic growth, it continues to be disproportionately high among

indigenous people. Peru's *Instituto Nacional de Estadística e Informática* reports that the regions with the greatest proportion of indigenous populations are also the ones with the greatest levels of poverty.

Another injustice perceived by poll respondents is that the state does not represent all citizens. The 2008 Latinobarómetro survey reports that only 8 percent of Peruvians, the lowest percentage found among all Latin American nations, believe that the country "is governed for the good of the people" as opposed to being "governed by some powerful groups for their own benefit." In contrast, about half the respondents in Uruguay believe their country is governed for the benefit of the people.

Similarly, most Peruvians do not believe that the rule of law is fully established in their country, that public institutions work effectively, or that public services are adequately provided.

The same Latinobarómetro survey asks respondents to place their country on a 1-10 scale, where 1 corresponds to the statement "the state is unable to enforce any laws" and 10 represents "the state is able to enforce all the laws." While the average on the scale for all surveyed countries is 5.2, both Peru and Paraguay register an average of 4.4, the lowest among all nations. Moreover, when asked whether public institutions are doing a good job, only 7 percent of Peruvians respond that they do a "good" or "very good" job. That is a stark contrast with Peru's regional neighbors such as Ecuador (29 percent), Bolivia (14 percent) and Chile (21 percent). When asked about satisfaction with public services, both Peru and Paraguay are again the countries with the lowest levels.

Given the poor record in improving incomes, reducing unemployment and upgrading public services, it is no surprise that most Peruvians have been critical of the market-oriented policies launched over a decade ago (and

which presumably account for Peru's macroeconomic success). During the administration of former President Alberto Fujimori, Peru became one of the most aggressive market reformers in Latin America, privatizing state-held enterprises, lowering tariffs and tightening the public budget.

The 2008 Latinobarómetro survey shows that less than half of Peruvians agree with the statement that "a market economy is the system through which the country can become developed." In contrast, Paraguayans, who display many of the same critical attitudes toward the political system, exhibit very strong support for market policies (around 75 percent). Those market-oriented policies have continued beyond the Fujimori government, creating a situation in which Peru's policymakers and economic elites are committed to an economic orientation not shared by the majority of Peruvians.

Historical Disappointments

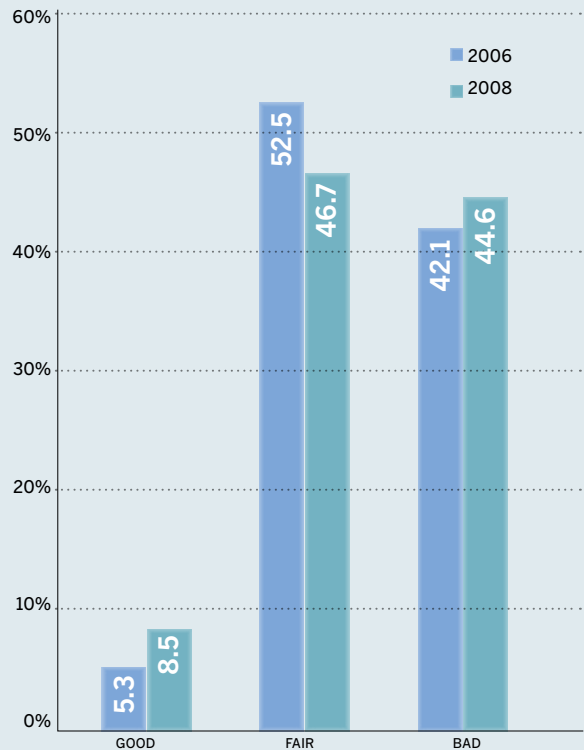


inally, another factor more difficult to quantify may also explain the deep disconnect between Peruvians and their

political institutions. At key moments in their history, Peruvians have rallied behind governments that promised change, but those early hopes have always turned into bitter disappointment. The memories of these unfulfilled hopes clearly linger.

In 1968, General Juan Velasco Alvarado assumed power as head of a military junta. His regime enacted a series of policies that dramatically altered the economic foundations of the country. A sweeping land reform was enacted, the educational system was reformed, and many foreign companies were nationalized. Similarly, progressive labor legislation was introduced and the participation of the state in the economy greatly

FIGURE 3: PERU'S ECONOMIC SITUATION IS...



increased. Widely popular in its initial years, the military regime steadily lost support and turned repressive in response to mounting protests.

A palace coup in 1975 brought to power General Francisco Morales Bermúdez. As he adopted harsher stabilization policies, the protests increased—culminating in a 1977 national strike. Soon thereafter the regime announced a timetable to return power to civilians. By the time the military returned to the barracks it was widely despised and rejected, and many of its policy initiatives would eventually be overturned. Initial enthusiasm with a reform-oriented government ended in failure.

The return to civilian rule in 1980 renewed citizen hope and optimism. The election of Fernando Belaúnde, leader of the *Acción Popular* party, seemed poetic justice: he had been deposed by the military back in 1968. Yet those hopes were tempered as Belaúnde proved incapable of dealing with an escalating economic crisis and a growing domestic insurgency. In 1985, Peruvians elected Alan García, a young and charismatic politician who led the *Alianza Popular Revolucionaria Americana* (APRA), the country's oldest party. It was an important historical crossroads: APRA had been repressed by the military for more than four decades. But the enthusiasm that accompanied his victory soon vanished as García failed to control both inflation and emerging domestic terrorism. By the end of his term he was considered one of the worst presidents in Peru's recent history.

The election of Fujimori in 1990 marked a turning point. With no experience, and no political party behind him, Fujimori challenged

a political establishment that was widely perceived as ineffectual, if not corrupt. On April 5, 1992, he shut down Congress, dismissed the Supreme Court and began ruling by decree. Again, his "Fuji-coup," as it came to be known, was greeted with enthusiasm by Peruvians disillusioned with their previous leaders. Initial public approval soared to 80 percent according to some polls at the time, and subsequent policy successes, such as the taming of inflation and the victory over the country's brutal domestic terrorist movement, Shining Path, cemented popular support. Peruvians ignored Fujimori's increasing authoritarianism, returning him to office in 1995 with a commanding 64 percent majority. But when Fujimori secured a third term in a highly contested and controversial election in 2000, cracks in public support began to appear. Soon after the election, a video showing Vladimiro Montesinos, Fujimori's chief of staff, bribing an elected congressperson to switch parties was leaked to the press. Mounting public hostility, fanned by allegations of criminal misconduct in all corners of his administration, eventually forced Fujimori to resign. These revelations had a profound impact on the national psyche and contributed to deepening citizen distrust in political institutions. A jaded nation seemed to have concluded that nothing good could be expected from the political class.

In 2001, Peruvians elected Alejandro Toledo, a U.S.-educated economist of indigenous background. He attracted not only the support of the poor in cities and rural highlands but also that of the urban middle class. Unfortunately, his government, while

impeccably democratic, failed to live up to expectations. Toledo endured very low approval ratings during most of his administration. In 2006, in a spectacular comeback that can only be explained by the fear produced by his principal rival, the pro-Chávez Ollanta Humala, Alan García returned to power. But this time, there were no enthusiastic demonstrations. Peruvians seemed to accept him, reluctantly, as the lesser of two evils.

Peru's crisis of public confidence underscores the need to see beyond economics as the sole cause, or cure, of political problems. For too long, decision makers have been obsessed with issues of economic stabilization and growth, all the while neglecting the serious deficit of citizen trust.

Closing the confidence gap requires a concerted effort to fully establish the rule of law, fighting the twin evils of crime and corruption and providing good services, but also, and perhaps more important, delivering good government. This may help erase the painful memories of past governments, and in the process regain popular confidence in public institutions. But there is a need for deeper, far-reaching reform that improves the operation and accessibility of government for average Peruvians. Until that happens, impressive macroeconomic numbers will not be enough for the majority of indigenous and disenfranchised Peruvians to overcome their sense of distrust toward and distance from the state.

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ENDNOTES

1 "Preliminary Overview of the Economies of Latin America and the Caribbean: 2008," ECLAC, December 12, 2008, <http://www.eclac.org/publicaciones/xml/4/34844/LCG2401i.pdf> (accessed June 8, 2009). 2 Unless noted otherwise, all public opinion data cited in this article come from this source. See www.lapopsurveys.org 3 Since trust in some of these institutions could be affected by the level of presidential popularity, the AmericasBarometer removes this impact from the scale through a statistical procedure. 4 Julio F. Carrión and Patricia Zárate, *Cultura Política de la Democracia en el Perú: 2006* (Lima: Instituto de Estudios Peruanos-Vanderbilt University, 2006). 5 The Latinobarómetro is a Chilean private corporation that now conducts yearly polls in 19 Latin American nations. It started conducting polls in a handful of countries in 1995. Its reports can be found at <http://www.latinobarometro.org>.