

SOCIAL PROPERTY IN PERU: THE POLITICAL ECONOMY OF PREDOMINANCE

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I. INTRODUCTION

On May 2, 1974, Peru's Revolutionary Government of the Armed Forces promulgated the Law of Social-Property Firms (Decree Law 20598). This law, preceded by a long debate within the government as well as by significant public discussions, provides the legal framework for the new Social-Property Sector (SPS), to be composed of essentially worker-managed firms and supporting institutions at the regional and national levels.

According to former President Juan Velasco Alvarado, the SPS is to »express in the economy the Revolution's fundamental political option«, i.e. its neither capitalist nor communist nature, providing the economic base for the construction of a »fully participatory social democracy — the regime's declared goal.¹⁾ Since he assumed the Presidency, in August 1975, President Francisco Morales Bermúdez has indicated that the SPS represents »the most perfected formula to overcome the dichotomies inherent in both private and state enterprises« and linked the new sector's expansion to the building of what he calls »Peruvian socialism.«²⁾

Repeated official statements have indicated that the future Peruvian economy is to be divided into four sectors — social, state, reformed private, and fully private — each characterized by a different form of property, management, and distribution of the surplus remaining after paying the costs of production. The SPS is to become »predominant«, though neither the scope of this sector nor the period required for its becoming predominant have been spelled out. Social-property firms (*empresas de propiedad social* — EPSs) may undertake any activity

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¹⁾ Juan Velasco Alvarado, »Mensaje a la nación«, *La Nueva Cronica* (Lima), July 29, 1973.

²⁾ Francisco Morales Bermúdez, speech to Annual Conference of Executives (CADE 75), *El Peruano*, October 20, 1975.

not specifically reserved for the state. A group of state owned and operated firms in basic and strategic industries will, likewise, be »important«. One of the two private sectors, the economically most significant one, will include all the firms that will be reformed by the introduction of labor communities composed of all full-time workers from general manager down. These communities will be constituted as separate legal entities within each reformed firm, they will have their share in the profits and will be gradually increasing their participation in the ownership up to a maximum of 50 percent. Via representatives on the board of directors the labor communities in the reformed private sector firms will also participate increasingly in management. This participation is to be directly proportionate to their collective ownership of the firm's capital. Beginning in 1970, labor communities have been created by laws in manufacturing industries, fishing, mining and telecommunications but not yet in commerce and service industries. State enterprises are also supposed to have labor communities, but their participation in ownership is limited to bonds or securities of the state development bank (Corporación Financiera de Desarrollo — COFIDE) and their representation on the board of directors is fixed at a minority of two. Finally, there is to be a residual private sector including all small scale businesses such as artisan industries and small commercial and service establishments.

Neither the traditional service cooperatives, such as credit and consumer cooperatives, nor the agrarian production cooperatives (CAPs), agricultural societies of social interest (SAISs) and peasant community cooperatives created under the 1969 agrarian reform law fit into this four-sector scheme. This suggests that the government would eventually like to convert them into EPSs. Indeed, on November 26, 1975 a new law (Decree Law 21317) was promulgated, allowing the direct creation of EPSs under the agrarian reform as well as facilitating the voluntary transformation into EPSs of CAPs, SAISs, and other »associative peasant enterprises« created previously in the course of the agrarian reform.

This restructuring of property rights and introduction of new forms of worker participation is part of a comprehensive set of reforms, destined to create the »fully participatory social democracy« and undertaken within the framework of a plan of government revealed only in July 1974.³⁾

By mid 1976 the government plans to have completed a radical agrarian reform, redistributing 48.6 percent of Peru's cropland and 28.3 percent of the pastureland, or 30.9 percent of the total area suitable for agriculture.⁴⁾ By November 1975 6.2 million hectares, or 68.9 percent of the target was achieved. 97.8 percent of the redistributed area, which includes the best agricultural lands in the country, had been turned over to collective enterprises (*empresas asociativas*) — CAPs, SAISs,

³⁾ For an authorized account of how the plan was prepared see A. Zimmerman Zavala, *El Plan Inca: Objetivo revolución peruana*, Lima; Empresa Editora del Diario Oficial »El Peruano«, 1974.

⁴⁾ Douglas Horton, »Land Reform and Group Farming in Peru«, paper prepared for a Conference on Group Farming, Madison, Wisconsin, June 10—12, 1975.

Peasant Communities, and Peasant Groups — instead of being parcelled out to individual tenants and workers⁵). This reform has effectively broken the back of Peru's landowning oligarchy, but even when it is completed it will directly benefit (and that in a very uneven fashion) only some 341,000 families, roughly 28 percent of the agricultural population. There is simply not enough agricultural land to go around, so that over half of the agricultural population will continue to be minifundistas or landless laborers.

The reforms creating the labor communities had, by the end of 1975, benefitted — again to a very unequal extent despite the introduction of inter-firm «compensation communities» in fishing, mining, and telecommunications though not in manufacturing — about 300,000 workers, or eight percent of Peru's economically active population. The first EPS was constituted in April 1975, and as of December 1975 there were only 2455 workers in the SPS, including those in EPSs not yet formally constituted.⁶)

Other significant economic measures of the present Peruvian regime include reserving basic and strategic industries for state control (if not immediate full ownership), establishing state control of banking, marketing of the country's principal exports and telecommunications; socializing the major Lima daily newspapers which are supposed to be turned over to organizations which the regime deems representative of the new society in process of creation, and restructuring the social security system to extend coverage and promote greater equity in the distribution of benefits.

Other important achievements include an ambitious educational reform (still far from fully implemented), the creation of new social organizations which have the potential of developing as important political forces (for example the National Confederation of Industrial Communities and the National Agrarian Confederation which have in part arisen due to the initiative of the regime's political arm—the National System for the Support of Social Mobilization — SINAMOS — though they appear to be developing their own dynamics), and the reorientation of Peru's foreign policy away from the hegemony of the United States toward a position of nonalignment and militant leadership within the Third World. All this has been done at a low social cost, with a minimum of violence, while achieving an average growth rate of GDP of 5.8 percent (1969—1974), and maintaining economic and political pluralism, though power has been firmly in the hands of the armed forces. The most notable weakness of the Peruvian regime has been the failure to develop a strong base of popular support and articulate any clear idea of a political system compatible with a Peruvian form of socialism.

In this article I do not seek to analyze either the undoubted accomplishments of Peru's Revolutionary Government of the Armed Forces or its shortcomings. This task has been undertaken in a com-

⁵) Ministerio de Agricultura, Dirección General de Reforma Agraria y Asentamiento Rural, «Reforma Agraria en Cifras», Lima, November 1975, (mimeographed).
⁶) Calculated from «Estado de situación al 31/12/75», *Propiedad Social* (Lima) No. 7, December 31, 1975.

prehensive series of essays edited by Abraham F. Lowenthal.⁷⁾ Nor will I review in detail the origins and provisions of the Law of Social Property Firms, which myself and others have done elsewhere.⁸⁾ I will rather analyze the Peruvian social-property legislation. Using a definition of selfmanagement published in the 3—4/1974 number of this journal I attempt to see to what extent that legislation may permit creating a selfmanaged socialist mode of production in Peru. Then I consider the conditions under which the SPS might achieve predominance within a transition to a Peruvian form of socialism.

The problem, and indeed the principal hypotheses to be examined, may be briefly stated as follows. Today, despite the rapid growth of the state sector, the implementation of collective enterprises in agriculture, the introduction of labor communities in manufacturing, fishing, mining, and telecommunications, and the promulgation of the social-property legislation, Peru remains a predominantly capitalist society. Even if the SPS were to grow rapidly and achieve the promised predominance in some quantitative sense, there is sufficient latitude in the law for a bourgeois state to limit worker participation in the SPS to forms not fundamentally affecting the predominantly capitalist nature of Peru's economy. On the other hand, it is possible that, the SPS could develop, despite the many obstacles, as a socialist mode of production, playing a leading role in the transition to a Peruvian form of socialism.

II. SELFMANAGEMENT: A SOCIALIST MODE OF PRODUCTION

Though a literal and limited definition of workers' selfmanagement may simply refer to the democratic management of an enterprise by its workers, a much broader definition is consistent with the Marxist concept of mode of production. So conceived, selfmanagement refers not only to the economic structure, but also the political and ideological instances of a society. The definition to be used, a variant of that developed by the Workshop on Implementation of Selfmanaged Systems in the Third World held at Cornell University in June 1975⁹⁾, is prin-

⁷⁾ Abraham F. Lowenthal (ed.), *The Peruvian Experiment: Continuity and Change Under Military Rule*, Princeton, N. J.; Princeton University Press, 1975.

⁸⁾ See Roberto Abusada-Salah, «An Economic Analysis of Peru's Social Property Legislation», *Economic Analysis and Workers' Management* (Belgrade) 8:3—4, 1974, 223—238; CONAPS, *Propiedad social: Empresa de todos*, Lima, CONAPS, 1974; Angel de las Casas Grieve, *Propiedad Social: Empresa de la Revolución* Lima, Ediciones CONAPS, 1975; Peter T. Knight, «New Forms of Economic Organization in Peru: Toward Workers' Self-Management», in Lowenthal (ed.), *The Peruvian Experiment*, 350—401; Santiago Roca, «Propiedad social en el Perú: Su sistema de financiamiento», ESAN, Documento de Trabajo No. 4, Lima: ESAN, 1975, (mimeographed); José Jesús Tong, «Financial and Accounting Aspects of the Peruvian Social Property Law», Paper presented at the Second International Conference on Selfmanagement, Cornell University, Ithaca, N. Y., June 6—8, 1975; and Jaroslav Vanek (with an appendix by Collazo), «The Economics of the Peruvian Law Defining the Self-Managed Sector of Social Property» in Knight, Roca, Vanek and Collazo, «Selfmanagement in Peru», Program on Participation and Labor-Managed Systems, Cornell University, Series of Unpublished Studies No. 10, Ithaca, 1975).

⁹⁾ 30 persons from 12 countries of North and South America, Africa, and Europe participated in this workshop, held following the Second International Conference on Selfmanagement in June 1975. For a synthesis of the principal conclusions of the workshop, see Peter T. Knight and Santiago Roca, «Synthesis of the Principal Conclusions of the Workshop on Implementation of Selfmanaged Systems in the Third World», *Economic Analysis and Workers' Management*, No. 3—4/1975.

cipally restricted to the economic structure, though the character of the juridico-political and ideological levels is at least partially implicit. The definition may be summarized in eight points. The reader is referred to No. 3—4/1974 of this journal for an elaboration of each point.¹⁰⁾

1. Full worker's participation in decision making in the firm, in regional associations of firms, and at the national level.
2. Political motivation and ideological clarity of the selfmanaged firm's workers with regard to the social objectives of a selfmanaged economy.
3. Social property of the means of production, recognizing that wealth is generated by past and present human labor and the exploitation of natural resources at the level of the economic structure, not exclusively by the labor of the group of workers who work in a given firm at a given moment of time.
4. Social accumulation via the requirement that part of the value of production at the level of the firm be channeled to regional and national level investment funds without compensation to be used for the creation of new firms and expansion of existing ones.
5. Democratic distribution of the surplus which remains after paying the costs of production (including the mandatory contribution to social accumulation) and democratically established taxes at the local, regional and national levels.
6. Participatory planning through which local, regional, and national needs are integrated in a democratic plan which originates at the grass roots and is developed by the delegates of different productive units and representatives of the population at the same levels.
7. A limited role for the market in guiding economic decisions at each level of the economic system, subject to participatory planning which, as planning techniques and productive forces develop, should increasingly take the place of market indicators.
8. Freedom of employment.

¹⁰⁾ This definition is explicitly socialist and may be contrasted with a more neutral definition by one of the principal economic theoreticians of selfmanagement, Jaroslav Vanek in his book, *The General Theory of Labor-Managed Market Economies*, Ithaca and London, Cornell University Press, 1970. Vanek's definition gives a more important role to the market and does not exclude private property of the means of production, though Vanek himself favors social property. Vanek's selfmanaged market economy has five basic characteristics: (1) democratic management of each firm by all its workers, (2) participation of a firm's workers in the income generated by their firm, (3) decentralization of decision-making via full reliance on the market mechanism, (4) rental of capital by each firm from an entity outside the firm with the firm's workers entitled to usufruct after payment of rental charges

The basic objective of selfmanagement so conceived is to place people and not capital at the center of the economic, political, and ideological systems. In a selfmanaged economy capital does not purchase the workers' labor power. The workers associate in order freely to use the means of production placed at their disposal by the society, the price for their usufruct being a contribution to social accumulation which also helps ensure an efficient allocation of scarce productive resources in the economy. The investment of the resources generated in this fashion is controlled by the workers themselves, via the participatory planning system and the social investment funds. Thus the workers' separation from the means of production, characteristic of both private and state capitalism, is overcome: both the means of production and the results of production are dominated by cooperating workers. This is the heart of socialist relations of production. The separation of firms from one another is progressively overcome by the expanding role of the participatory planning system as forces of production and planning techniques develop.

At the level of the superstructure, the political and ideological systems are such as to insure an expanded reproduction of the selfmanaged mode of production. Some form of political democracy must prevail at all levels of society, beginning at the local level, possibly via a single or multi-party system, though other forms of political organization may be developed, perhaps building upon the selfmanaged basic production units. The details of such a system are likely to depend greatly upon the historical experience of specific countries. At the ideological level, the values of human solidarity, equality, participation, and full realization of individuals as social and productive beings are stressed. The Marxist, other socialist, anarchist, and social-christian traditions contain substantial elements of coincidence regarding these values.

III. THE SOCIAL PROPERTY LEGISLATION: SELFMANAGEMENT FOR THE TRANSITION?

Francisco Morales Bermúdez and other leading spokesmen for Peru's Revolutionary Government of the Armed Forces claim that they are not Marxists and that they reject both capitalism and communism. The declared objective of the regime is the construction of a »fully

without being formal owners, and (5) freedom of employment. There are clearly points of overlap between Vanek's definition and the one adopted in this article, and I believe Vanek's economic theory is valid for socialist selfmanaged firms to the extent that they respond to market forces.

participatory social democracy», perhaps most eloquently defined by former President Velasco as »a system based on a moral order of solidarity rather than individualism; on a fundamentally selfmanaged economy, in which the means of production are predominantly social property, under the direct control of those who, by their work, generate wealth; and on a political order where the power of decision, far from being the monopoly of political or economic oligarchies, is diffused and rooted essentially in social, economic, and political institutions managed, without or with minimum intermediation, by the men and women who form them.«¹¹⁾

So defined, the objective of the Peruvian regime is *consistent* with accomplishing a transition from what is officially acknowledged to be an »underdeveloped, capitalist, oligarchic society submitted to the interests of imperialism«¹²⁾ to one in which a selfmanaged socialist mode of production is dominant. The SPS is supposed to be the economic base of the fully participatory social democracy, though the pluralist economic system outlined in the introduction to this article would permit capitalist social relations of production to survive in the private and possibly in the state sector of the economy. This situation is again *consistent* with a complex social formation where the dominant mode of production is selfmanaged socialism, at least if there is a tendency for the private sectors to atrophy and for the state sectors to become worker controlled.

But the Peruvian regime seeks to nurture new socialist relations of production within a social formation which is admittedly still dominated by the capitalist mode of production. The popular masses have had almost no direct participation in the control of the Peruvian revolutionary process, which is being conducted in their name by the armed forces assisted by an elite of civilian technocrats and ideologists.¹³⁾ The regime »rejects the political institutionalization of the Revolution itself as a party« purportedly, in order to defend »the autonomy of social organizations against all attempts at outside control«¹⁴⁾, while frequently engaging in such attempts of control¹⁵⁾ itself. And

¹¹⁾ Juan Velasco Alvarado, speech to the inaugural session of the Second Ministerial Meeting of the Group of the 77, October 28, 1971, in *Velasco: La voz de la revolución*, Lima; Ediciones Participación, 1972, Vol. 2, p. 285.

¹²⁾ Oficina Central de Información, *Ideological Basis of the Peruvian Revolution*, Lima: Empresa Editora del Diario Oficial »El Peruano«, 1975.

¹³⁾ See Lowenthal (ed), *The Peruvian Experiment* for the most complete set of analyses of policy formation within the Velasco government to date.

¹⁴⁾ Oficina Central de Información, *Ideological Basis of the Peruvian Revolution*.

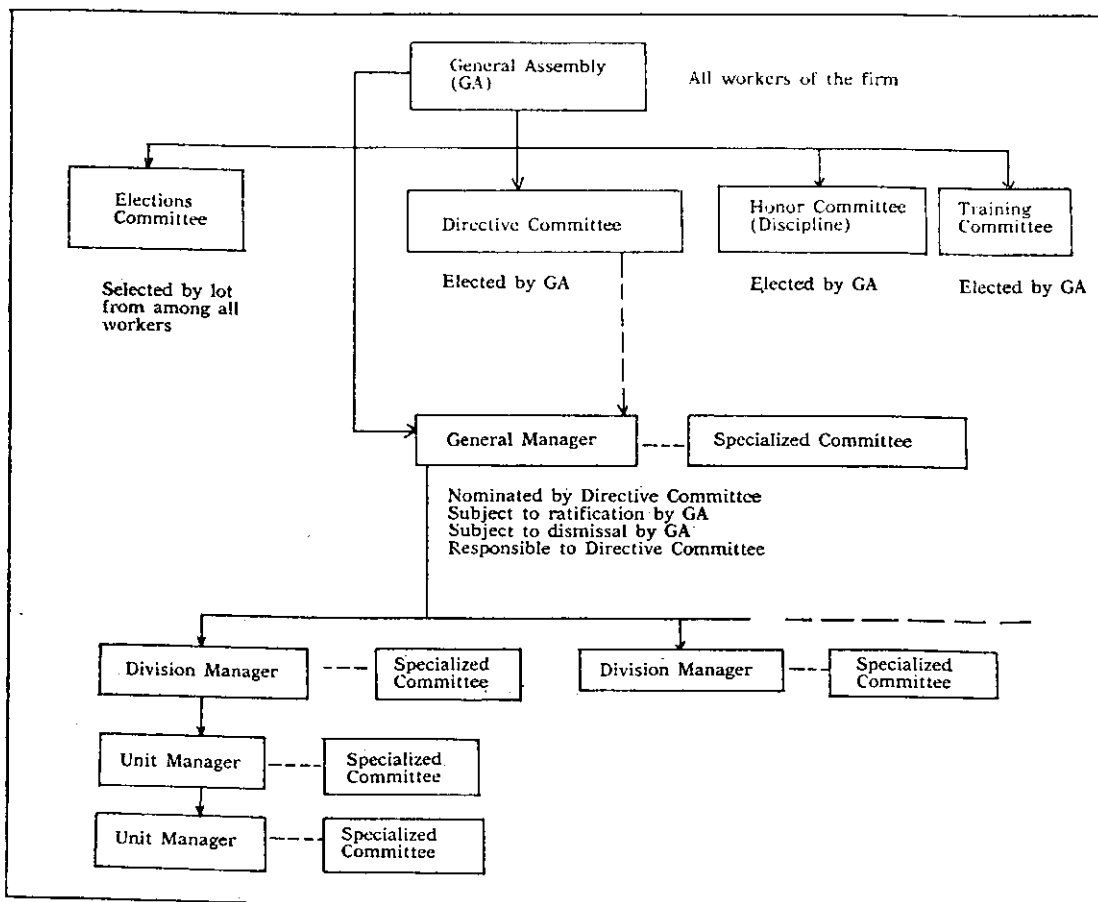
¹⁵⁾ For a case study of the role various government agencies played in the development of the industrial communities and their national association (CONACI) in addition to the essays in Lowenthal, *The Peruvian Experiment*, see those in Luis Pasara, Jorge Santistevan, Alberto Bustamante, and Diego García-Sayan, *Dinámica de la comunidad industrial*, Lima: DESCO, 1974.

the transition is whenever possible to be accomplished without violence while pursuing a policy of class conciliation rather than class struggle.

The proposed transition is to be initiated within a framework set by the social-property legislation. To what extent are the provisions of this legislation consistent with the socialist definition of selfmanagement summarized in the previous section? To facilitate this analysis, Figure 1 summarizes the internal organization of an EPS, Figure 2 outlines the structure of the SPS as a whole including its relations with state agencies as of March 1976, and Table 1 defines the various types of surpluses generated by an EPS.

Figure 1

ORGANIZATION OF THE SOCIAL-PROPERTY FIRM

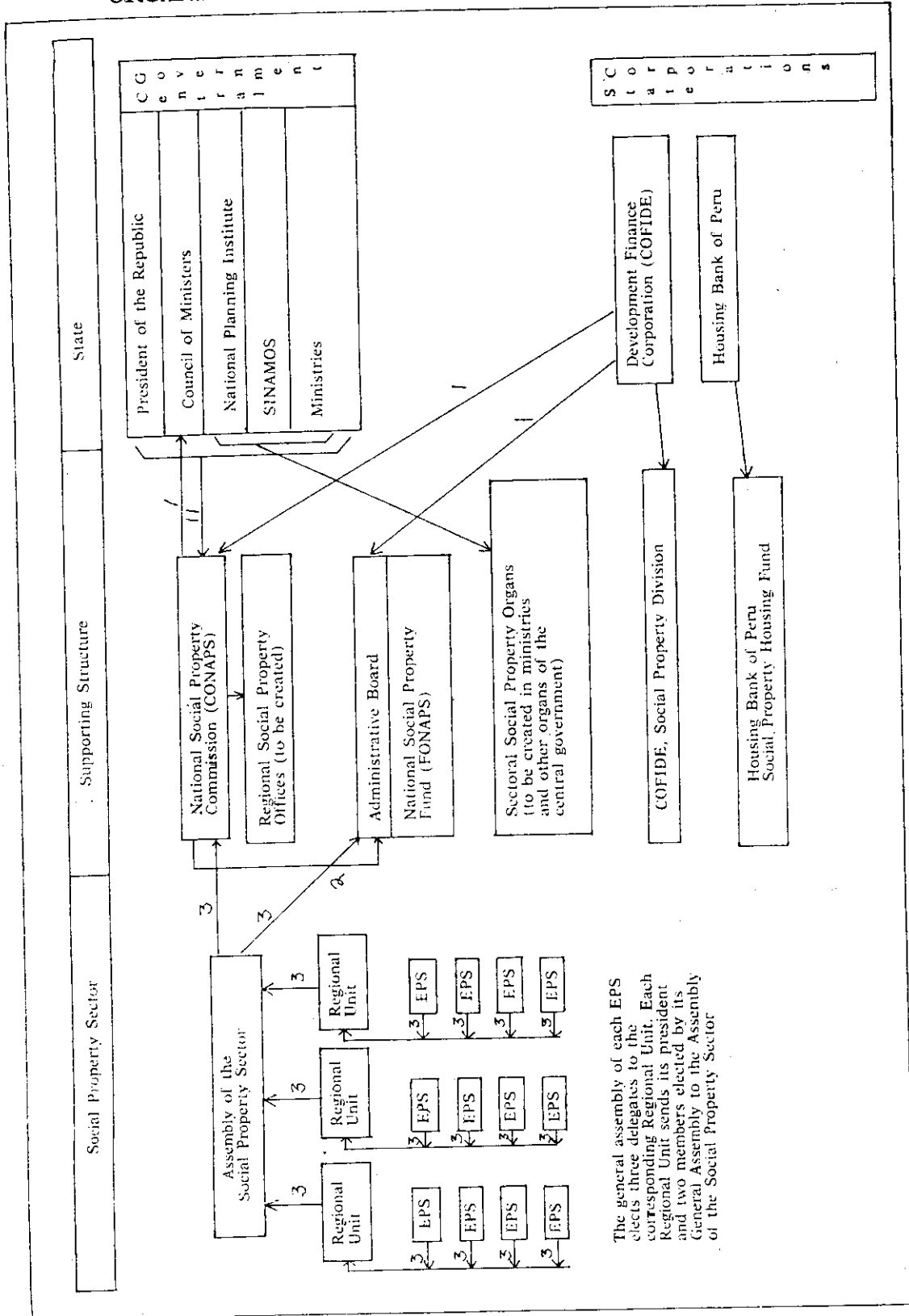


No elected position may be occupied for two consecutive terms by the same person.

The specialized committees have only advisory powers, and are elected by the workers of the corresponding division, unit, etc. The number and nature of specialized committees is specified in the statute of each social-property firm.

Figure 2

ORGANIZATION OF THE SOCIAL PROPERTY SECTOR



The general assembly of each EPS elects three delegates to the corresponding Regional Unit. Each Regional Unit sends its president and two members elected by its General Assembly to the Assembly of the Social Property Sector.

Notes: Arrows indicate representation or appointment of personnel. Numbers indicate number of representatives.

Table 1

Definition of surpluses in the Peruvian Social-property law

1. = Total Revenue
2. minus Total Cost (including remunerations)
3. = EXPLOITATION SURPLUS
4. plus or minus Capital Gains and other Financial Adjustments
5. = ECONOMIC SURPLUS
6. minus Accumulated Losses
7. minus Transfer Payment to FONAPS. $(0.1(5 + R^a) - 2MWB^b)$
8. minus Reinvestment
9. minus Revaluation Surplus
10. minus Legal Reserves, including 0.05(5)
11. minus Donations
12. minus All Other Deductions Allowed by Tax Laws
13. minus Amortization of *Aporte Transitorio* (or Equivalent Payments^c)
14. minus Deduction for Housing Fund^d)
15. = TAXABLE SURPLUS
16. minus Taxes
17. plus (13)
18. = DISTRIBUTABLE SURPLUS

Accio-Bono Dividends

Cash Distribution to
Workers and/or Common
Services

- a. Remunerations.
- b. Twice the Lima legal minimum wage times the number of workers.
- c. Refers to deductions made after the *aporte transitorio* has been amortized and used for reinvestment in the firm or purchase of immediately convertible bonds from FONAPS.
- d. A percentage of the economic surplus after deducting that part of accumulated losses which is covered during the year. The percentage will be fixed annually by CONAPS.

1. Worker participation

Worker participation is likely to be extensive at the enterprise and regional levels of the SPS and in its national Assembly, the peak planning and coordination organ of the sector. The Assembly is composed entirely of SPS workers elected by the General Assemblies of the Regional Units from among their members, who, in turn, are elected by the General Assemblies of each EPS. The internal organization of all these institutions is wholly democratic and there are no representatives

of government agencies within them. But at the national level, beyond the Assembly of the SPS, which has rather limited formal powers, worker participation is more limited in what may be called the supporting structure of the SPS.

The *National Social Property Commission* (Comisión Nacional de Propiedad Social — CONAPS) is an administrative agency designed to execute national social-property policy and having important powers of decision regarding the constitution, merger, and dissolution of EPSs, the hiring of new workers, and some financial dealings of the sector, particularly those relating to the issue of non-voting shares (accio-bonos) by EPSs. In the last analysis, CONAPS has the power to fix the level of wages and salaries in each EPS, since it must approve the act of constitution which must by law contain the remuneration schedule for all positions within the firm. Any modification of the act constitution must be approved by the appropriate Regional Unit and CONAPS. Workers of the SPS will have a minority of three representatives, elected by the Assembly of the SPS from among its members, the remaining 12 members of CONAPS being named by various ministries, the President of the Republic, and other state agencies. Decree Law 20598 originally placed an organ called the Social Property Council, a ministerial level body with no worker representation and which had to make sure that the SPS develops in accord with overall government policy, above CONAPS. But Decree Law 21304 of November 12, 1975 abolished this body and provided that the President of CONAPS, now the Head of the National System for the Development of Social Property (Sistema Nacional para el Desarrollo de la Propiedad Social — SINADEPS), would sit on the Interministerial Committee for Economic and Financial Affairs as well as on the Council of Ministers, where he has voice but not vote. To provide additional support for the implementation of the SPS, Decree Law 21304 also provides for establishing regional offices of CONAPS and also Sectoral Social Property Organs within a number of ministries and other state agencies.

The *National Social Property Fund* (Fondo Nacional de Propiedad Social — FONAPS) is the key financial organ of the sector. It is governed by a six man Administrative Board where three workers of the SPS, elected by the Assembly of the SPS from among its members, have an effective majority since a tie-breaking vote is given to the President, who must be a SPS worker. The other members are representatives of the Ministry of Economy and Finance and the National Planning Institute (INP) in CONAPS and a representative of COFIDE, which together with FONAPS has, by law, the power to make something akin to loans (called *aportes transitorios*) to EPSs. When a firm is unable to meet its financial commitments to FONAPS, the Administrative Board may require the firm to prepare an Economic Recovery Plan which may include revisions in the basic remuneration schedule of the firm. The Administrative Board may require such and any other it deems necessary; its decisions on these matters being binding. No appeal is permitted.

The *Housing Fund for Social Property Workers* (Fondo de Vivienda para Trabajadores de Propiedad Social) is to be managed by the

Housing Bank of Peru (Banco de la Vivienda del Perú), a state-controlled institution, according to fairly detailed provisions contained in Decree Law 20598. The resources of the Housing Fund include a percentage of the economic surplus of each firm, fixed annually by CONAPS, plus additional voluntary deposits by firms from their distributable surplus or by individual workers.

In addition to these specifically sectoral institutions, EPSs must interact with the normal central government agencies like firms in other sectors of the pluralist economy. In particular, all investments made by EPSs must be approved by the relevant ministry, and there is no worker participation in these governmental agencies. Clearly the regime's strategy is to initiate selfmanagement at the plant level, where workers will begin by controlling the activities they are best acquainted with, while maintaining centralized government control in the supporting structure and the state itself.

2. Worker political motivation and ideological clarity

The social-property legislation specifies that permanent training is one of the basic principles of the SPS. Permanent training is to include not only technical education, but also the development of democratic practice and ideo-political training in the principles and ethics of social property so as to permit the workers to be able to participate effectively in decision making, beginning at the firm level but moving progressively toward the national level of the SPS, including its supporting structure. The costs of training are considered production costs, thus effectively the development of political consciousness and ideological clarity may be considered an integral part of each firm's objective function. Given that the institutions of the SPS itself are to be free of representatives of either private capitalists or the state, considerable political space should be opened up within which a socialist consciousness may develop. By law, CONAPS is supposed to define policy guidelines for permanent training, with the participation of SPS workers. Given the regime's rejection of political parties (which are nevertheless allowed to operate subject to some harassment) it is unclear whether the prevailing ideology within the SPS will in fact be socialist, though it is likely that as workers gain confidence in decision making they will exert political pressure for greater participation in the supporting structure of the SPS and eventually the government itself.

3. Social property of the means of production

Social property of the means of production is formally established by Decree Law 20598, at least at the level of the SPS. The law states that property is social (a) in that it »belongs« to the totality (*conjunto*) of workers who work in EPSs, though the workers do not have individual property rights, and (b) in that the SPS, by generating new EPSs,

benefits society as a whole. In practice, as the following discussion of social accumulation will make clear, *de facto* group property could develop at the level of the firm, though it would eventually be socialized.

4. Social accumulation

Social accumulation is a concept directly linked to social property of the means of production. As in the case of property, at least before predominance of the SPS is achieved, it is more sectoral than social in nature. Accumulation at the level of the SPS is concentrated in FONAPS, which in practice is to be the only institution to make *aportes transitorios* to establish or expand EPSs. COFIDE will make only conventional loans to EPSs. The terms governing each *aporte transitorio* include the amortization period, grace period if any, and the payment (in perpetuity, not only during the amortization period) of a special charge called the *compensación de la renta* (not an interest rate technically), which may be used to absorb (for purposes of investment by FONAPS via new *aportes transitorios* to any firm of the SPS), location rents and other income due to factors unrelated to labor effort, such as access to advanced technology and various types of monopoly or oligopoly power. In addition to these special capital charges, FONAPS will receive each year ten percent of the quantity resulting from adding each EPS' «economic surplus» (see Table 1) to the difference between total remunerations paid during the year and twice the minimum salary for Lima times the number of workers and then subtracting losses in previous years. Furthermore, any liquid assets in excess of limits, specified in the agreement establishing an *aporte transitorio*, must be deposited in a demand account in FONAPS until needed for current operations.

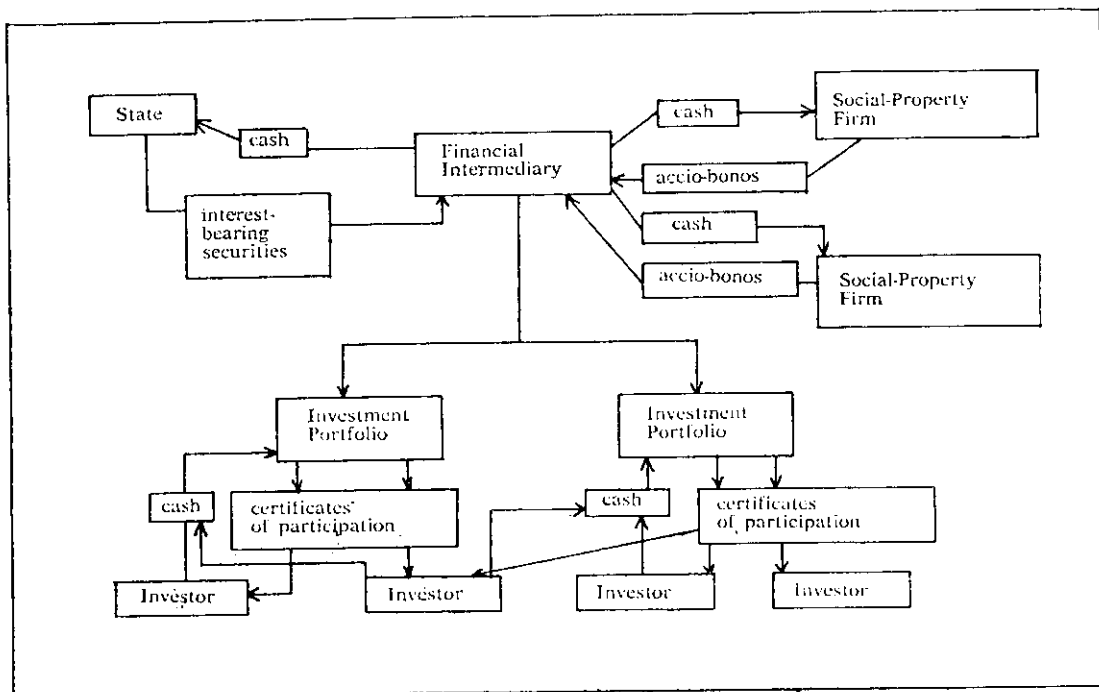
Once an EPS has finished amortizing an *aporte transitorio*, it continues to pay special charges and must annually either reinvest in fixed assets an amount equal to the average of the five years of highest amortization payments or purchase an equivalent amount of «immediately convertible bonds» from FONAPS. These bonds may be converted to pay for future investments in fixed assets by the firm, but normally must then be repurchased from FONAPS at the end of the year. Thus, any portion not reinvested in the year when it was generated is almost certainly a contribution to FONAPS and hence social accumulation at the level of the SPS. The law does not specify whether «immediately convertible bonds» will bear interest, and does not prescribe its rate. The lower the rate of interest, the greater the incentive for the EPS to reinvest in fixed assets, which like any interest on the bonds may generate future income, part of which may accrue to the workers of the firm in higher remunerations and/or distributable surpluses. Though it may have negative allocational effects on new investment (EPSs would tend to choose overly-capital intensive technologies as long as the rate of return on the bonds is lower than the social rate of return in the economy), any reinvested surplus represents a form of accumulation which is more of a group (workers of the firm) than social or

sectoral nature, since the firm has the right to its usufruct without having to amortize it in favor of FONAPS or pay the special capital charges to FONAPS. Eventually, however, even the reinvested surplus is effectively socialized.

Individuals and non-SPS enterprises may also invest in the SPS, but without acquiring any rights to control. This is accomplished via the sale of non-voting shares (*accio-bonos*) by EPSs (upon decision of each firm's General Assembly and with the approval of CONAPS) to financial intermediaries authorized by CONAPS to maintain port-

Figure 3

EXTERNAL FINANCING OF THE SOCIAL-PROPERTY FIRM VIA ACCIO-BONOS



The issue of *accio-bonos* must be approved by

- An absolute majority of all workers of the firm in a meeting of the general Assembly with a quorum of 2/3 present
- The appropriate Regional Unit
- CONAPS

CONAPS will also determine

- The maximum share of any firm's net assets which may be obtained by the sale of *accio-bonos*
- The maximum percentage of any firm's *accio-bonos* which can be held in a given portfolio of a financial intermediary
- The maximum share of *accio-bonos* from each branch of economic activity in any portfolio of a financial intermediary
- Annually the fraction of state securities in the portfolios of the financial intermediaries

folios of these securities and a required portion of state interest-bearing securities. The financial intermediaries, in turn, sell to the investing public »certificates of participation« (akin to mutual fund shares). The sales process is represented schematically in Figure 3. These financial intermediaries, and, indirectly, the holders of certificates of participation, have a right to a portion of the firm's distributable surplus and reinvestments (via required issue of additional *accio-bonos* to the holders of existing *accio-bonos*) proportional to the share of *accio-bonos* in the total net assets of the firm. Holders of certificates of participation benefit from a double income tax exemption — up to 50 percent of their taxable income can be used tax free for acquiring the certificates, and the income generated is also tax free. The value is corrected for inflation as are most assets and liabilities of EPSs. The certificates of participation are also exempt from inheritance tax.

All in all, since there are various external controls on the level of remunerations within EPSs (primarily via the initial act of constitution and the agreements governing *aportes transitorios*), the collective incentive of an EPS' workers to share in present (and via reinvestment, in future) distributable surpluses also benefits the (indirect) owners of its *accio-bonos*. These provisions were apparently judged necessary to tap private capital markets during the transition.

Individual workers and their dependents may share in the income generated by EPSs after the worker leaves his firm, since when a worker retires with more than 20 years of service in one or more firms of the SPS, or dies or is disabled while working in an EPS, all the EPSs in which he has worked must convert part of their net assets, representing that worker's contribution to their formation, into *accio-bonos* which are held by COFIDE in a special retirement fund. The retired or disabled workers and their immediate heirs receive »certificates of retirement« in an amount equal to the total retirement *accio-bonos* credited to the worker in question. Like the certificates of participation, these certificates of retirement are something like mutual fund shares. After the worker and his spouse are both dead and their children have reached majority the certificates of retirement are annulled. At this point private individuals holding the certificates cease to have any further rights over the income generated by the EPSs and the part of each firm's net assets corresponding to retirement *accio-bonos* is treated as a new *aporte transitorio* which must be amortized in favor of FONAPS and presumably a special permanent capital charge could be required, further contributing to social accumulation.

This interesting provision harnesses the worker's incentive to reinvest part of his firm's economic surplus to increase the financial security of his family in a fashion which eventually contributes to social accumulation and in the process may help correct any over-capitalization of the firm which low or null interest rates on »immediately convertible bonds« might stimulate. At the same time, unlike the certificates of participation, the certificates of retirement avoid the intergenerational transmission of wealth except for the socially justifiable function of helping with the maintenance and education of a worker's children after his and his spouse's death.

Within the pluralistic economy, the EPSs may also have recourse to the banking system and suppliers' credits, with the restriction that the fixed assets of an EPS may be pledged as collateral only to state financial institutions. Loans from COFIDE fall under this category of finance from institutions external to the SPS.

5. Democratic distribution of the surplus

There exists in the SPS a democratic distribution of the surplus, limited by provisions governing prior deductions for social accumulation, and taxes, as well as by the mechanism of *accio-bonos* and certificates of participation which generate rights over surplus for what could be a rentier class, although the workers may also purchase certificates of participation as part of their personal savings plans, and will no doubt be encouraged to do so. Distributable surpluses remaining after allocating the share corresponding to financial intermediaries holding *accio-bonos* and thus indirectly to holders of certificates of participation and retirement, are allocated by the General Assembly between common services (such as day care centers, medical services, the housing fund and cultural activities) and individual distribution to workers on an equal basis, proportional only to the number of days each worker has worked during the year. The common services *may* be available to the community in which the firm is located as well as to the workers and their families, though the decision to offer these benefits to the community is solely that of the firm's workers according to law.

6. Participatory planning

Participatory planning is encouraged by the social-property legislation, albeit within the framework of national and regional development plans elaborated by the INP (a dependency of Peru's presidency), its regional dependencies, and the sectoral planning offices located in various ministries. There is no explicit provision for the incorporation of representatives of non-SPS workers or of the non-worker population in the participatory planning process. Within an EPS, specialized committees at the shop level help advise the Directive Committee and management in the elaboration of annual and longer range plans. The Regional Units are to elaborate medium and long term development programs, seeking to render compatible the information which their member firms are obliged to supply. These programs are to be sent to FONAPS so that the necessary financial resources can be programmed, and a copy must be sent to the INP. The Assembly of the SPS is to «coordinate and concert» the action of the Regional Units and their respective firms, evaluate the development of the SPS and the Regional Units, and formulate policies for the future development of the sector. Administrative and technical support is to be supplied by CONAPS.

While the seeds of a participatory planning system are indeed present in the law, the power to approve all investments, and thus the ultimate control over the development of the SPS, still resides in the ministries of the central government as guided by the INP. The participatory planning system of the SPS has a more advisory role, though its recommendations may carry substantial political weight if the SPS becomes an important part of the total economy. FONAPS, which can be effectively controlled by worker representatives of the SPS, may play a crucial role in the financing of investment projects approved by the participatory planning system *and* by the appropriate ministries. CONAPS may serve as the participatory planning system's secretariat, but effective control of CONAPS lies with the state.

7. Limitations on the role of the market

The role of the market is moderated via the intervention of the state and the superior organs of the new sector in SPS investment decisions, but the law permits a relatively free play of market forces in determining production decisions once an investment has been authorized. On the other hand, within the SPS, the decisions of the firms and the Regional Units, appropriately seconded when necessary by higher organs of the sector, may permit the development of a planned transfer pricing system and even the eventual operation of the SPS as a giant democratically-controlled conglomerate with decreasing reliance on the market. Government price controls are already widely used in Peru for many basic wage goods and industrial inputs. The social-property legislation requires the sector's firms to share economic, financial, and technological information within the SPS. In summary, the law permits a system of commodity production subject to controls by the state and a potentially greater role for participatory planning of prices, outputs, and investments.

8. Freedom of employment

Freedom of employment is guaranteed. A worker can leave his firm when he wishes (subject to reasonable notice), in search of another firm or institution interested in accepting his work in a contract of association. Likewise, an EPS may separate a worker, but only by a majority vote of the General Assembly on the recommendation of the Directing Committee for a series of reasons set forth in Decree Law 20598. A worker who is separated may appeal his separation before the appropriate Regional Unit. Temporary workers in EPSs have all the rights and obligations of permanent workers except that they cannot hold elective offices within the firms in which they are working. All workers have the right to receive periodically information regarding the operations of the firms in which they are working and to have access to their books. At the express consent of more than 50 percent of the workers of an EPS, a union may be formed, but its leaders are

required to be the same as those of the EPS, presumably the members of its Directing Committee. This provision appears to confuse the functions of a union with those of a firm, but since an EPS provides many internal channels for the resolution of issues which in capitalist firms (whether state or private) are normally handled via unions, the principal function of the union in an EPS may be to represent the firm in its dealings with the various institutions of the SPS, the state, the private sector, and international organizations such as the ILO.

* * *

From this brief analysis of the complex legislation establishing the new SPS, it should be clear that the character of the SPS could approximate that of a socialist selfmanaged economy, but this would only be assured if the sector became dominant in the Peruvian social formation, permitting that state power be transferred to or seized by the popular masses who then made use of the state apparatus to develop the SPS along selfmanaged socialist lines. Before this is likely to happen there will probably be a long period of transition in which the actions of a state not controlled by the masses will play a critical role. The Peruvian state, controlled by a state or private bourgeoisie, could use its power to frustrate this form of socialist development without violating the Law. The SPS could be reduced to an appendage of the state capitalist sector, leaving the workers free to decide what color to paint their machines and little else. Or it could be developed along the lines of group capitalism by crippling the power of the Regional Units and using the national level institutions of the SPS together with the state apparatus in a way preventing the implementation of a participatorily planned sector with strong powers of social as opposed to group (firm level) accumulation. Finally, the SPS could simply be left to wither away in early childhood without ever reaching maturity.

IV. THE POLITICAL ECONOMY OF PREDOMINANCE

A discussion of the prospects for the SPS achieving predominance must begin by analyzing the present structure of the Peruvian social formation, starting with the economic base. A full analysis is beyond the scope of this article. I will here attempt to sketch only its broad outlines, emphasizing the economic and institutional aspects most likely to affect the development of the SPS.

To my knowledge, there exist no official statistics on the Peruvian economy broken down by type of property. However, in order to give some idea of relative magnitudes, I have prepared some rough estimates of value added (GDP), labor force, and average productivity by the type of property relations characterizing each sector for the year the social-property law was promulgated, 1974 (see Table 2). The estimates, which are based on incomplete and sometimes inconsistent data, including World Bank reports and unpublished government documents,

involve some educated guesses on my part and therefore should be taken to indicate only approximate orders of magnitude. I have identified three major sectors (state, »associative«, and private), each of which is broken down into two subsectors.

Beginning with the state sector, the central government (public administration and defense) consumed 9 percent of the GDP and employed 10 percent of the labor force. The relatively low productivity of this sector, (only 90 percent of the national average) probably reflects the inclusion of low-paid teachers and drafted soldiers. The state enterprises produced but 6 percent of the GDP employed only 3 percent of the labor force, and had the second highest productivity (twice the national average), following the reformed private sector.

Table 2

Estimated share of value added (GDP), labor force, and productivity ratio by type of property, Peru, 1974

Type of Property	(1) Percent of Value Added (GDP)	(2) Percent of Labor Force	(3) Productivity Ratio ^a (1)/(2)
<i>STATE</i>	15	13	1.15
Public			
Administration and Defense	9	10	.90
Enterprises	6	3	2.00
<i>ASSOCIATIVE</i>	8	20	.40
Production Cooperatives ^b	6	4	1.50
Peasant Communities ^c	2	16	.13
<i>PRIVATE</i>	77	67	1.15
Reformed	24	5	4.80
Unreformed ^d	53	62	.85

SOURCE: Rough estimates by the author on the basis of incomplete data.

NOTES:

- a. Mean productivity for the economy = 1.00.
- b. CAPs and SAIS production units (exclusive of member peasant communities).
- c. Peasant communities vary substantially in the extent to which production activities are collectivized. In many cases they might better be included in the private sector.
- d. Calculated as a residual. Includes all private activity outside the reformed manufacturing, fishing, mining, and telecommunications sectors as well as unemployed.

The value added figure for the state sector as a whole (only 15 percent of GDP) greatly understates the influence of the government on the economy, since it reflects neither the control exercised potentially on the private and associative sectors by the state marketing firms with monopoly export and import rights for key raw materials and intermediate inputs nor implicit state control of the banking system, imports and exports in general, prices of key agricultural products and industrial inputs, and investments. But it brings out the fact that government enterprises *produce* only a small portion of the GDP and employ an even smaller part of the labor force. Furthermore, the production of the most important state enterprises is essentially basic raw materials (for example, copper and other minerals from CENTROMIN PERU, the former Cerro de Pasco Corporation) or intermediate inputs (such as iron and steel from SIDERPERU, petroleum products from PETROPERU, and fishmeal from PESCAPERU). Production of consumption goods is overwhelmingly concentrated in the private sectors, which are relatively free to influence the nature of demand by advertising and to produce what is most profitable given the existing (very unequal) income distribution.¹⁶⁾ The extremely dynamic nature of the state sector is best expressed by its high share in Peru's gross fixed capital formation (about 48 percent in 1974 as compared to 41 percent in 1973 and 34 percent in 1969 according to World Bank sources). Part of this investment activity is in mixed enterprises with foreign and/or domestic private capital. These mixed enterprises have been included in the state enterprise sector in my estimates.

The »associative« sector is composed of production cooperatives, including the central »production units« of SAISs but not their member peasant communities which share in distribution of their surplus but do not contribute to the SAISs' production activities,¹⁷⁾ and peasant communities, where 16 percent of the labor force work under institutional arrangements which in some cases approximate collective production, but more often fall considerably short of this goal. Some of these communities have received lands directly under the agrarian reform, and others belong to SAISs and thus share their surpluses. Production cooperatives are virtually non-existent outside the agricultural sector, and service cooperatives (housing, mutual savings associations, transport) are included in the residual fully private sector since the production relations within them are essentially capitalistic.

I estimate that the total associative sector produced 8 percent of value added but occupied 20 percent of the labor force. Productivity, however, was over 11 times as high in the production cooperatives as in the peasant communities, which reflects the fact that the cooperative sector has most of the best agricultural lands in Peru and benefits from much more intensive use of capital. Members of peasant commu-

¹⁶⁾ See Richard Webb, »Government Policy and the Distribution of Income in Peru«, in Lowenthal (ed.) *The Peruvian Experiment*, 79—127 and Adolfo Figueroa, »El impacto de las reformas actuales sobre la distribución de ingresos en el Perú«, *Apuntes* (Lima), 1/1973, pp. 67—82.

¹⁷⁾ For a fuller explanation of the SAIS and its origins, see Horton, »Land Reform and Group Farming in Peru«; Knight, »New Forms of Economic Organization in Peru« and Colin Harding, »Land Reform and Social Conflict in Peru«, in Lowenthal (ed.), *The Peruvian Experiment*, pp. 220—253.

nities plus an approximately equal number of *minifundistas* included in the unreformed private sector (perhaps 10 percent of the total labor force) together constitute the lower 40 percent of the income distribution which lives on the margins of subsistence.

The private sectors together accounted for 77 percent of value added and 67 percent of the labor force, but productivity was over five times as high in the reformed private sector (the highest of all six subsectors identified with an average of 4.8 times the national average), which includes the most modern parts of private manufacturing industry, mining, and fishing. The private sectors dominate the production of goods and services for final consumption, albeit subject to increasing governmental controls, and a great deal of their modern productive apparatus, especially in reformed private industry, is devoted to the production of goods destined for (unnecessary) private consumption by the middle income strata and the bourgeoisie. The amount of these goods is an important topic for further research. Most of the advertising industry deliberately foments this kind of consumption. Both this advertising and the demonstration effect of luxury consumption are important forces working against a rise in the savings rate. In short, they create an appetite for goods and services unnecessary for the basic welfare of the population. While privileged segments are seen to consume such goods and services, and the mass media continue to propagandize their desirability, it will be difficult for the Peruvian regime to promote the austerity required if the rate of accumulation is to be raised. It should be added that much of the state enterprise sector simply provides the necessary intermediate inputs and capital goods for private manufacturing, directly or indirectly — by providing foreign exchange which is then used by the private sectors for imports. Again, determining actual magnitudes is an important area for research.

It is within this predominantly capitalist economy (this term applies to the state enterprise and private sectors, of which the associative sector must at this time be considered an appendage despite its greater potential for transformation), that the new SPS is to be nurtured by a central state apparatus which has hitherto served to enforce capitalist production relations and assure their reproduction.

The sharp decline in gross national saving, from 17.0 percent of GDP in 1970 to an estimated 8.3 percent in 1975, is a critical trend affecting the Peruvian economy. Over the same period gross domestic investment has risen from 12.9 percent to an estimated 19.6 percent, accompanied by massive current account deficits in 1974 and 1975.¹⁸⁾ These deficits have been financed overwhelmingly by large net increases in outstanding foreign loans to the state sector complemented by new direct foreign investment concentrated in the mining and petroleum sectors. Raising the low national savings ratio is critical to achieving government investment targets without further mortgaging the future growth and autonomy of the Peruvian economy to secure additional foreign resources, even if these could be expected to be available.

¹⁸⁾ Data from World Bank and Central Reserve Bank of Peru.

How this will be done, and how the process of accumulation will be directed are the most important issues in Peruvian political economy and they are clearly critical to the development of the nascent SPS.

The increasing emphasis placed on the SPS by the Peruvian government must be seen as a response to the falling rate of national savings and investment as well as an attempt to develop a form of economic organization compatible with the government's ideological position. The SPS was designed to permit a rapid rate of capital accumulation while encouraging much greater worker participation than appears feasible in state enterprises or can be realized in the private sectors. But to make the SPS the main lever of economic growth in Peru implies diverting most new investment resources from other sectors to create new EPSs from scratch and/or transforming a large number of other firms into EPS.

Since creating wholly new firms is a rather slow process even under most favorable conditions, the transformation route is obviously the quickest way to SPS predominance. But the present Peruvian regime is committed to maintaining «economic pluralism», and the provisions of the social-property legislation regarding the conversion of non-social-property firms reflect this by setting stringent conditions. The firm to be converted must be in good economic and financial condition, its conversion must be approved by CONAPS, and a two thirds majority of the owners, shares, or partners must agree.¹⁹⁾

This last condition would seem to preclude most transformations of private sector firms, even if in the reformed forms the labor community favors the transformation (remember that maximum ownership of company shares by the labor community is fixed at 50 percent). The first condition is supposed to prevent the entry into the sector of bankrupt and inefficient firms which are unlikely to be able to contribute to social accumulation, but it may also serve as a deterrent to workers who seek to break their firms via strikes and other actions as a means of pressuring the owners into accepting conversion. A possibility within the present legal framework is that as labor community ownership approached a controlling interest in private sector firms (this might take place at well below 50 percent share ownership in some firms) the private capitalists, fearing that the value of their shares would plummet in the future, might agree to transformation, accepting certificates of participation as compensation for their shares. The shares of the labor community would then become part of the «social fund» of the new EPS, treated as reinvested surpluses, and the firm would issue *accio-bonos* which would be purchased by a financial intermediary which in turn would issue a corresponding value of certificates of participation to the former private shareholders.

¹⁹⁾ Decree Law 20598 recognizes two partial exceptions to these conditions. First, a firm whose dissolution has been requested by its owners or by agreement of its shareholders and for which the mass firing of its workers has not been approved by the Ministry of Labor may be considered for transformation if it is in good economic and financial condition and if its workers request transformation. The second exception refers to a reformed private sector firm in which 51 percent or more of all the shares exclusive of those held by the labor community are to be sold to third parties. In this case the workers may request FONAPS or COFIDE to purchase the shares in the name of the workers. A series of share sales adding up to 51 percent or more of the non-community shares within a 120 day period, is to be considered as a single sale. In both cases, CONAPS must approve the transformation.

Strong pressure from workers of the reformed private sector might result in a change of government policy toward conversion as established in the existing social-property legislation. But as of December 1975 there had been no significant movement in this direction except on the part of workers in a few virtually bankrupt firms. Part of the explanation may be that the workers do not yet understand the complex social-property legislation and have had few opportunities to learn from the workers of established EPSs. On the other hand, the workers of the reformed private sector may not relish the thought that, should conversion occur, wage negotiations would ultimately be with the government-dominated CONAPS. Furthermore, these workers are already relatively well off compared to the bulk of the Peruvian population, most of them being in the upper quartile of the income distribution.²⁰⁾ And, unlike SPS workers, who are entitled to receive certificates of retirement only after 20 years of work in the SPS or after permanent disablement, the workers of the reformed private sector are accumulating *individualizable* wealth: if they leave their respective firms they receive one half of their shares in the value of the stocks of the firm held by the labor community if the community has not yet reached 50 percent ownership and the full amount otherwise. In capital-intensive firms this can represent a substantial cash payment — in some cases, enough for a worker to start his own small business.

Nevertheless, the diverse defects of the legislation governing the labor communities, the manner in which the capitalists have failed in many cases to comply with either the letter or the spirit of this legislation, and the extremely uneven distribution of benefits among firms²¹⁾ have created considerable discontent among the workers of the reformed private sector and *could* lead them to press for transformation of their firms into EPSs. But additional (long promised) legislation could close many of the loopholes which capitalists use to frustrate the advance of the labor communities. These and other possible modifications might accelerate the access of private sector workers to the property and profits of their enterprises and make it more difficult to develop worker pressure in favor of transformation.

However, if the prospects for transformations from the private sectors are highly uncertain, the state enterprise sector offers only limited possibilities for conversion as long as existing policies regarding the transfer to the state of basic and strategic industries, including the more profitable extractive activities such as petroleum production, large scale mining, and fishmeal-fishoil production, remain in effect. Rather, the real struggle will be to prevent existing state enterprises from carrying out new investments leading to vertical integration of their activities via the production of their own key inputs and further industrialization of their outputs. Decree Law 20598 indicates that such projects will be developed on a priority basis by EPSs. But already cases have arisen in which state firms seek to undertake this kind of

²⁰⁾ See Figueroa, «El impacto de las reformas actuales».

²¹⁾ See Confederación Nacional de Comunidades Industriales, *Resoluciones del primer congreso nacional de comunidades industriales* Lima, CONACI, 1973, and Pasara et al., *Dinámica de la comunidad industrial*.

activity.²²⁾ There is good reason to suspect that the state enterprises and the ministries which theoretically control them will seek to retain direct control of at least a major part of any surpluses they generate rather than allowing their transfer via the state budget to FONAPS. Nevertheless, given apparent concern on the part of the Ministry of Economy and Finance and President Morales Bermúdez with the disorderly growth of state enterprises, it is possible that as part of a future reorganization of the state sector, some state enterprises, or parts of them, might be transferred to the SPS.

Perhaps the most likely candidates for voluntary transformations are firms from the overwhelmingly agricultural associative sector. Decree Law 21317 promulgated in November 1975 has paved the way for such conversions, and in December 1975 there was a movement underway within the government-sponsored National Agrarian Confederation to promote them. But here the resistance of the richer production cooperatives, particularly the highly productive coastal sugar cooperatives, is fierce. On one hand, the transformation would try to assure that the production cooperatives contribute part of their income in favor of social accumulation. On the other hand, the peasant communities would be able to contribute relatively little to accumulation; ideally they would be net recipients of social investment funds in the SPS. The peasant communities, however, are much less politically organized and powerful than the cooperatives.

In summary, although transformation of existing firms — particularly those of the highly productive reformed private, cooperative, and state enterprise sectors as well as remaining large scale commercial and service firms of the fully private sector — offers the quickest route to predominance of the SPS and social control over a potentially high surplus for accumulation, strong established interests may oppose it. Ironically, development of popular support for transformations appears threatened by the beneficiaries of the regime's earlier reforms, especially by the workers of the more profitable agricultural cooperatives and reformed private sector firms, despite the fact that the contradictions in these reforms were instrumental in moving the regime toward development of the SPS.²³⁾

It is easy to show that if the conversion of existing firms is to be minimal, a very high percentage of all new investment must be channeled toward the SPS.²⁴⁾ In five to ten years the bulk of this investment would have to be diverted from other sectors, since accumulation within the SPS cannot become an important source of investment until the sector has achieved a significant weight in the economy. Direct transfers (through the tax system) would permit the fastest growth of the SPS, assuming the conversion route is not utilized, but here the government's commitment to strengthen and expand state enterprises — at least those in the capital-intensive basic industries such as petro-

²²⁾ See de las Casas, *Propiedad Social*, p. 93.

²³⁾ See Knight, «New Forms of Economic Organization in Peru».

²⁴⁾ See Abusada-Salah, «An Economic Analysis of Peru's Social Property Legislation.»

leum, chemicals, steel, cement, fertilizers, mining, metal-refining, paper, telecommunications, electric power, and air transport — suggest that there will be strong competition for available fiscal resources.

The omens are not auspicious in the short run. For example, the two year 1975—76 budget assigned some 14.4 billion soles (about 320 million U. S. dollars) to direct transfers to state enterprises. But FONAPS did not receive an allocation in the biennial budget, and CONAPS received only 90 million soles (about 2 million U. S. dollars) for operating expenses, less than the Executive Committee for the Bayovar Complex, to be composed of state sector petrochemical firms. Subsequently, CONAPS received an additional 40 million soles, however, and it is likely that its budget will be revised upwards again in 1976.

As of December 1975 government policy appeared to be to use domestic loans to FONAPS (a total of 3.3 billion soles or, the equivalent of about 73 million U. S. dollars, have been made available as lines of credit from the Central Reserve Bank of Peru and COFIDE for commitment through the end of 1976) to finance *aportes transitorios*. Foreign loans, from the World Bank as well as bilateral sources, are being sought by COFIDE to finance imports of capital goods via conventional loans to EPSs. To the extent that domestic and foreign loans rather than direct transfers to FONAPS via the fiscal system are used to finance the SPS, future accumulation within the new sector will be diminished, since the surpluses generated by the sector will have to be used in part to service these loans rather than expand the SPS. Of course, the greater the grant component of any loans to the SPS (via the use of concessionary rather than strictly commercial terms), the faster the sector will be able to grow.

Though it offers the prospect of diverting funds which would otherwise probably go to consumption or investment in other sectors, the sale of certificates of participation also results in future commitments of distributable surpluses, almost certainly in favor of the relatively wealthy segments of the population who are best able to take advantage of the generous tax incentives for their purchase. Therefore, reliance on this source of finance may work against the achievement of a more just income distribution by allowing the perpetuation of a rentier class. If the SPS achieves predominance, however, it is probable that the »rules of the game« regarding *accio-bonos* and certificates of participation would be modified by new legislation.

An SPS composed entirely of new firms would also require massive numbers of skilled technicians and managers willing and able to work in a highly participatory environment, probably for salaries less than those in effect in the private and state sectors. At present, such crucial human resources are scarce — and already employed in private, state, or cooperative enterprises. The problem, of course, is that these established sectors are not likely to willingly relinquish the investment funds and human talent they currently command. No major Peruvian educational institution is clearly capable of training large numbers of new service-oriented breed of managerial and technical personnel in a short time, though some are preparing themselves to undertake such

a task. In December 1975, CONAPS, which has legal responsibility for developing training programs for the SPS with the participation of the sector's workers, did not have the required facilities, staff, or budget.

The implication is clear. If the state sector continues to show anything like its current dynamism, and there is no significant conversion of existing firms in other sectors into EPSs, the SPS will not be able to reach predominance under any conceivable interpretation of this word, much less become a dominant socialist mode of production, in the next 15 years.²⁵⁾ Assuming that the private sectors do not stagnate, the choice is more dramatic: either there is a fairly massive conversion of existing firms, or predominance of the SPS in the foreseeable future is a pipe dream.

Throughout the process of drafting the social-property legislation and the initial phases of implementation former President Velasco played an important role in pushing the social-property concept from the very top of the military government.²⁶⁾ Given the fact that since he assumed the Presidency at the end of August 1975 the head of CONAPS was given ministerial rank, the creation of agricultural EPS promulgated, and a 2.42 billion soles Central Reserve Bank loan to FONAPS which comes close to being a grant (2 percent interest and reutilization of amortizations for new *aportes transitorios* permitted) made, it appears that President Morales Bermudez is also a strong supporter of the SPS. But despite the extensive provisions of the social-property legislation requiring »priority« or »preferential« support of the SPS by central government bureaucracies and state enterprises, they have for the most part been dragging their feet rather than rushing to fulfil their legal obligations.

In his July 28, 1974 message to the nation, when he called for immediate reorientation of those parts of the state apparatus responsible for the implementation of the SPS, former President Velasco appeared to be attacking bureaucratic sluggishness. But the attacks upon the »resistance« and »incomprehension« of bureaucrats have continued — perhaps because these bureaucrats understand all too well that the growth of a truly socialist and selfmanaged SPS would reduce their power to serve themselves and their private and state sector clientele.²⁷⁾

Lack of support for the new sector in the central bureaucracies, in the state enterprises, and of course among the traditional capitalists of the private sectors, who have been quite explicit in their opposition to the SPS, will make progress toward the goal of predominance dependent on a continued impulse from the top of the government. But perhaps more important in the longer run will be the generation of political support at the grass roots level.

²⁵⁾ See *Ibid.*

²⁶⁾ See Knight, »New Forms of Economic Organization in Peru.«

²⁷⁾ See de las Casas, *Propiedad Social*.

V. CONCLUSIONS

The reforms implemented by Peru's Revolutionary Government of the Armed Forces through 1975 have been *consistent* with a transition to selfmanaged socialism in which a military elite exercises a dictatorship which progressively transfers political and economic power to workers and peasants. But the reforms nevertheless manifest a fundamental *ambiguity* since they could also lead to a modernization of Peru's predominantly capitalist economy in which a state bourgeoisie, associated with international capital, and possibly with domestic private capital, becomes the ruling class.²⁸⁾ This ambiguity may simply correspond to tactics for implementing Peruvian selfmanaged socialism in the face of the domestic and international reaction hostile to socialism in any form. Or it may reflect fundamental contradictions regarding the Revolution's objectives, within the Peruvian military, which may be conducive to the second outcome.

This is not the place to analyze the degree to which the military government and institutions of Peru identify with the declared objectives of the Peruvian Revolution. It suffices here to observe that informed opinion is divided on this subject.²⁹⁾ In the short to medium term, pressure from the top of the Peruvian state, which is controlled by the military (whether or not they are autonomous agents), is crucial to the implementation of the SPS. Furthermore, given that today Peru is predominantly capitalist, to achieve this it would be necessary that the Peruvian military government becomes to some extent autonomous of the Peruvian and international bourgeoisie rather than simply its agent as would be suggested by Engels' declaration that the state »in all *typical* periods is exclusively the state of the ruling class, and in all cases remains essentially a machine for keeping down the oppressed, exploited classes.³⁰⁾ But what constitutes a non-typical period? Engels himself suggested that periods in which »the warring classes balance each other so nearly that state power, as ostensible mediator, acquires, for the moment, a certain degree of independence of both« may be both longer and more common than a simplified Marxist analysis might imply.³¹⁾ Without attempting to prove that the Peruvian military government has achieved such autonomy, I simply wish to observe that this possibility is consistent with the teachings of Marx' principal collaborator.

Obtaining the material and human resources necessary to launch the SPS on a trajectory which allows a successful transition to self-

²⁸⁾ Charles Bettelheim, »Dictatorship of the Proletariat, Social Classes and Proletarian Ideology« in Paul Sweezy and Charles Bettelheim, *On the Transition to Socialism*, New York and London; Monthly Review Press, 1971, p. 59 provides an excellent definition of a state bourgeoisie.

²⁹⁾ See Abraham F. Lowenthal, »Peru's Ambiguous Revolution« and Julio Cotler, »The New Mode of Political Domination in Peru« in Lowenthal (ed.), *The Peruvian Experiment*, pp. 3-43 and 44-78, respectively, as well as other essays in that volume.

³⁰⁾ Frederick Engels, »The Origin of the Family, Private Property, and the State«, in Marx and Engels, *Selected Works in One Volume*, New York, International Publishers, 1968, p. 591.

³¹⁾ *Ibid*, 588.

managed socialism will require acts of definition on the part of the regime which will eventually bring about decisive clashes with the national private bourgeoisie and its foreign partners. In particular, the analysis presented in this article suggests that the policy of maintaining a form of economic pluralism which permits the continued private appropriation of the resources necessary for social accumulation will have to yield revolutionary alternatives, including conversion of a major part of the private sectors into EPSs. This will require forging an alliance with the existing labor movements to isolate and defeat these private capitalists while at least neutralizing an emerging state bourgeoisie, perhaps by continuing to allow state enterprises to engage in joint ventures with foreign capital where these are judged absolutely indispensable to obtain needed capital and technology.

In the medium to long run, the key to success is political mobilization at the grass roots level, which is the only method of counterbalancing the state bourgeoisie and avoiding the kind of authoritarian bureaucratically controlled economy which the Peruvian regime's ideological statements identify with communism.

Mobilizing mass political support will depend on the establishment of socialist relations of production within its firms and the higher level institutions of the new sector as well as on the presence of critical masses of EPSs efficiently producing socially necessary goods in each of Peru's major geo-economic regions. To achieve these objectives will require obtaining sufficient material and human resources. But at the same time it will demand important political labor to assure that real mass participation in the production process and control over the results of production is achieved within the SPS. In particular, it will involve the development of new political mechanisms to assure that there is increasing popular control over the state apparatus itself, given that the social property legislation permits massive state intervention in the SPS via the new sector's supporting structure.

How to achieve this increasing transfer of political power is the most important unresolved issue in the Peruvian process. Principal economic barriers are the continuance of important large scale private economic activity in the production and distribution of final consumption goods and Peru's highly unequal income distribution, which makes redistribution of control over the means of production and thence income a necessary condition for the achievement of social justice in a market economy. To overcome these economic barriers means to put politics, not narrow economic considerations based on the existing structure of demand, in command. The SPS could help achieve this, but to do so requires substantial support from the state.

Thus we are left contemplating the fundamental contradiction of the Peruvian revolutionary process: a strong authoritarian state directed by a military hierarchy declares that it will serve as the protective womb which permits the gestation of participatory socialist relations of production within a still predominantly capitalist social formation. Only time will tell how this contradiction will be resolved, but the results will be of great theoretical and political significance in a world where

how to establish effective participation of individuals in the decisions which affect their lives is increasingly recognized as a major challenge facing the established socio-economic systems.

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DRUŠTVENO VLASNIŠTVO U PERUU — POLITIČKA EKONOMIJA PREDOMINACIJE

Peter T. KNIGHT

Re z i m e

Drugog maja 1974. godine Revolucionarna vlada oružanih snaga Perua objavila je zakon kojim se legalizuje novi Sektor društvenog vlasništva (SDV), koji će sačinjavati samoupravne institucije i preduzeća na regionalnom i nacionalnom nivou. U cilju pružanja ekonomske osnove za izgradnju »društvene demokratije potpunog samoupravljanja«, što je proklamovani cilj režima, SDV treba da operiše u pluralističkoj privredi u kojoj postoje značajni privatni, državni i kooperativni sektori i u kojoj dominira kapitalistički način proizvodnje.

Pošto definiše samoupravni socijalistički način proizvodnje, autor analizira zakonodavstvo o društvenom vlasništvu Perua, da bi pokazao da ono stvara pravni okvir u kome se pod okriljem države u principu može realizovati prelazak na samoupravni socijalizam, pod pretpostavkom da vojna grupa koja kontroliše Peru ima u stvari znatnu autonomiju u odnosu na peruansku i međunarodnu buržoaziju. Međutim, mada je proklamovani cilj peruanskog režima u saglasnosti sa ostvarenjem ovog prelaska, uspostavljanje dominantnog socijalističkog SDV nailazi na niz ozbiljnih prepreka. Među ovima treba nabrojati prirodu peruanske države, dominantno kapitalistički karakter sadašnje privrede, nisku stopu nacionalne štednje i krajnje nejednaku raspodelu dohotka i produktivnosti između članova peruanske radničke klase.

S obzirom da je stvaranje potpuno novih preduzeća prilično spor proces čak i u najpovoljnijim uslovima, transformacija postojećih preduzeća u preduzeća društvenog vlasništva predstavlja ključni zadatak u ostvarenju dominacije SDV. Ipak sadašnji peruanski režim obavezan je da sadrži »privredni pluralizam« i ova obaveza se odražava u samom zakonu o društvenom vlasništvu prema kome je prelazak u društveno vlasništvo preduzeća koja to nisu skoro nemoguć na inicijativu radnika (osim u slučaju kooperacija). Ako se državni sektor razvija po dosadašnjoj dinamici, ako privatni sektor ne stagnira i ako ne postoji primetan prelazak postojećih preduzeća drugih sektora u preduzeća društvenog vlasništva, SDV neće biti u stanju da u bliskoj budućnosti postane dominantan.

Da bi se dobili materijalni i ljudski resursi potrebni za postavljanje SDV na trasu koja će dovesti do uspešnog prelaska u samoupravni socijalizam, biće potrebno da režim zauzme stav koji će ga svakako

dovesti do sukoba sa nacionalnom privatnom buržoazijom i njenim stranim partnerima. Analiza koja je data u članku pokazuje da politika održavanja privrednog pluralizma, koja dozvoljava dalji razvoj privatnog vlasništva nad resursima neophodnim za društvenu akumulaciju, treba da se zameni revolucionarnijim alternativama koje predviđaju prelazak većeg dela privatnog sektora u SDV. Međutim, u srednjoročnom i dugoročnom razvoju, ključ uspeha leži u političkoj mobilizaciji masa u korist SDV, čime će se uspostaviti neka vrsta suprotne ravnoteže rastućoj državnoj buržoaziji i izbeći ona vrsta birokratski kontrolisane privrede koju ideologija peruanskog režima identifikuje sa komunizmom. Do sada je režim bio u stanju da održi ovu vrstu političke mobilizacije koja je potrebna i za uspostavljanje nacionalne kontrole nad državnim aparatom, kojoj zakon o društvenom vlasništvu pripisuje značajnu ulogu intervencije. Tek kad se kontrola nad državom efikasno prenese na radnike dominantnog SDV, u Peruu će biti moguće predvideti uspešan prelazak u samoupravni socijalizam.
