

even came to trial fully 95 percent of the Shining Path suspects arrested by police. When Fujimori proposed tough anti-terrorist measures combined with strong free market reforms, the Peruvian Congress resisted and then began blocking his executive orders. Shortly after the Supreme Court inexplicably dropped charges while trying ruthless Shining Path mastermind Abimael Guzmán *in absentia*, Fujimori announced his so-called "self-coup" (*el autogolpe*).

Nearly 80 percent of the Peruvian people awarded him their support. During the several months that Fujimori governed without the Congress he implemented an exceptionally hard-line counter-terrorism campaign, which included military tribunals, hooded judges, and life sentences for terrorists. The Peruvian government took the offensive and achieved things that would never have been possible under the old regime. More and more terrorists were put behind bars until finally, on September 12, 1992, Guzmán himself was captured and brought to justice.

Not long after the capture of Guzmán, on November 22, 1992, Fujimori called elections for a new Congress. The candidates voted in by the public took up their duties on January 1, 1993, putting an end to the dictatorial spell. Several months later, at a referendum, the Peruvian people gave their blessing to a new Constitution thrashed out by the Congress. Local government elections also went ahead during this period.

■ Although it is true that Fujimori's achievements were accompanied by a breakdown of constitutional order, this was not left unattended. It would be wrong, therefore, to say that Fujimori is a Peruvian version of Park or even Pinochet, who led true authoritarian regimes in South Korea in the 1960s and Chile in the 1970s, respectively. Furthermore, it should be remembered that Fujimori respected freedom of expression. Before, during and after the dictatorship period, Peru's mainstream press directed sharp criticism at him. *El Comercio*, the main daily, and *Caretas* magazine, the top weekly, attacked hard. There is television

programming that insults the president on a practically full-time basis.

Luckily, the U.S. government recognized that once the self-coup had taken place, a negotiated solution recognizing Peru's delicate condition was necessary. Secretary of State James Baker delivered a stern reprimand before the OAS to the Peruvian minister of foreign affairs, saying, "You can't save democracy by destroying it." Yet the United States did not sever relations with Peru.

During the Clinton administration, the United States has reacted cautiously toward the Peruvian political situation. Economic aid remains suspended, and certainly the U.S. Congress and the Department of State have paid too much attention to certain human rights activists. Statements reflecting a preoccupation with human rights allegations in Peru have not always been based on accurate information. The White House itself has trodden with greater care. Last June, for example, it declared unfounded an AFL-CIO petition to remove Peru from the General Preferences System due to alleged labor rights violations committed by the Fujimori government. The White House decision was a sound gesture that bore not only commercial but also political implications.

Thus, on balance, U.S. foreign policy toward Fujimori has been basically correct. Washington has not bowed to the pressure of the liberal American press, which likes to caricature Fujimori as the traditional Latin American dictator. Neither, on the other hand, has it accepted that anything goes so long as the Shining Path is defeated. It has tried to strike a happy medium between either extreme.

■ Fujimori's main rival for reelection on April 9 to another five-year term is former United Nations Secretary General Javier Pérez de Cuéllar, who despite much international prestige has yet to stir the patriotic fervor of his countrymen. The latest polls have Pérez de Cuéllar 30 points shy of Fujimori. The president might well pull off a sweeping first-round victory.

Why is Fujimori popular? There are two fundamental reasons. First, people are afraid that the Shining Path could rear its ugly head again should Pérez de Cuéllar

win the election. Few believe that the 75-year-old U.N. diplomat would have sufficient energy to deal with such a colossally deadly adversary. Second, Pérez de Cuéllar's economic ideas—with an excessive emphasis on social welfare policy—seem to endorse a rehashed version of the discredited benefactor state.

A Fujimori victory therefore seems assured. The president would have to commit some crass errors in the few weeks remaining before the polls open in order to lose. Peruvian public opinion is now in favor of economic and political modernization; and it embraces the leader that, thanks to his keen intuition, was able to grasp, interpret, and follow that new heading.

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Venezuela: Democratic and Floundering

Carlos Ball

My country—Venezuela—is a longstanding democracy with vast physical and human resources. Yet today it is one of the globe's better examples of how not to run an economy and society.

Venezuela has been racing downhill since the first administration of President Rafael Caldera, elected in the early 1970s as an economic populist. Caldera nationalized a wave of businesses and utilities, restricted foreign banks, set price controls, raised taxes on oil companies to 80 percent, and criticized commercial treaties, trade, and foreign investment. These foolish actions were compounded by the tragic 1976 decision of President Carlos Andrés Pérez to nationalize the foreign oil compa-

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president every five
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Democracy in Venezuela
has not meant freedom.

—Carlos Ball

Chile is perhaps the
best example of a “mar-
kets first-and-then-
democracy” transforma-
tion, but an even more
consequential case is
now at work in China.

—Bartlett and Lyniuk

nies operating in Venezuela, a political act he described as “an act of faith.”

The Venezuelan miracle in reverse has its roots in the concentration of both political and economic power in the hands of politicians, especially the head of government. Venezuelan politicians have tried to solve every problem for the last 25 years by throwing money at it, and the people have collaborated in demanding services, housing, health care, and incomes, totally undermining the natural relationship between hard work and well-being. In Venezuela today wealth is seen not as the outcome of production or the provision of service to a consumer, but rather as a natural resource that is allocated by the politicians. The result is that the closer you are to the corridors of government power, the wealthier you become.

Harsh social decline has followed on these shifts. One-third of all Venezuelans

now report they have been recent victims of a crime. More people are murdered in Caracas than in New York City, which is twice as big. The judicial system is inefficient and corrupt. Seventy percent of the people in Venezuelan jails are awaiting trial, which means that an undetermined number may well be innocent or may have already served more time in prison than their alleged crimes call for.

■ Meanwhile, President Caldera was voted back in to office in 1994 to pursue economic statism. A product of the 1930s and the corporatist regimes of that era, Caldera gives rabble-rousing speeches revolving around “solidarity” and “social justice.” His economic policies are straight out of the “lost decade” of the 1980s, when Latin American bureaucrats still believed they could outwit the collective wisdom of the market. The government is setting prices on food, medicines, and other goods and services. The Consumer Education and Protection Agency has become the economic police, with a wide net of spies and the authority to confiscate goods and close business establishments. Most economic crimes carry jail sentences of 2 to 4 years. Calderistas say all this is necessary because of an “excess of economic freedom” under the previous Pérez administration.

President Caldera and his labor minister are the authors of the most “progressive” labor law in the Americas, which has deterred investments, made Venezuela non-competitive in the global market, and pushed many enterprises toward bankruptcy. Taxes, spending, regulations, and controls are increasing. Along with exchange and price controls, Venezuelans today suffer from the highest inflation in South America. A recent debacle was the collapse in January of 1994 of Banco Latino and the resulting financial crisis that led the government to seize 11 banks and pay off depositors with \$8.5 billion of newly printed currency. Eight-point-five billion dollars was three-quarters of all the bank deposits in the country, and is about 14 percent of Venezuela’s GNP.

■ Populist economics have virtually destroyed once prosperous Venezuela over the last generation. In the 1950s, Venezuela’s exports were larger than the combined ex-

ports of Hong Kong and Taiwan. Today, with few natural resources and roughly the same population of 21 million, Taiwan has an economy three times larger than Venezuela’s, and \$90 billion in foreign reserves. Yet enemies of the free market in today’s Caldera administration are having a field day blaming virtually all of Venezuela’s current problems on too much economic liberalization.

One of the obvious lessons in Venezuela (made particularly telling by the comparison to the Asian newly industrialized countries) is that the freedom to elect a president every five years is not enough. Democracy in Venezuela has not meant freedom. Democracy does not work without the institutional framework that allows economic development, rule of law, and secure property rights.

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Markets or Elections?

Bruce Bartlett and Roman Lyniuk

The literature on the relationship between economic and political freedoms has been mushrooming since the mid-1980s. Gerald Scully of the University of Texas, for instance, has compared 115 countries over a 20-year period and found tight links between the two types of liberties. We now know that a regime without property rights and free markets in addition to democratic politics will not long prosper. Less clear, however, is the question of which freedoms—economic or political—should be pursued first in a country that starts with neither. If markets and democracy are both essential in the long run, which should take priority in a country working its way out of backwardness?

Those on the Left, having earlier embraced authoritarianism as the necessary