
Sen. Carlos Calderón Carvajal

Peru must fight to resist the IMF's 'savage capitalism'

Senator Carlos Calderón Carvajal is a member of the Senate of Peru. His speech, delivered on Nov. 22 to the Berlin conference of the Schiller Institute, appears below, translated from the Spanish. The term "liberalism" is used by him in its European meaning, which refers to an economic system in which only private profit is pursued, without consideration for social consequences. We have sometimes translated his term "liberal" as "free marketeer," in accordance with the more usual North American usage.

Ladies and Gentlemen,

Some months ago we warned, in the Peruvian Parliament and in international forums, against the real danger which the unbridled application of the International Monetary Fund's openly liberal economic programs would mean.

Danger, because the levels of misery and human degradation would become intolerable, and this would unleash, necessarily, a climate of social explosion which would increase the spiral of violence.

Danger, because the state, as an entity which abdicates its function of promoting development in favor of the market—as the great regulator—would lose much of the little credibility it inspires in the masses, thus contributing to two social phenomena which degrade our society: drug trafficking and terrorism.

Danger, because free-market liberalism, in order to be applied, requires eliminating every social organization which could act as a force of resistance, and this explains the governmental policies which aim at deactivating the trade unions; denigrating the Church; dividing the Armed Forces from within, weakening them; cutting funding from social organizations such as mothers' clubs and soup kitchens; letting the already much-affected universities starve to death; and dismantling the regionalizing process, which is the real alternative to the over-centralized, top-heavy state which we inherited. And of course, weakening the political parties and the Parliament, as they are the great centers *par excellence* of national and world political debate.

Danger, moreover, because in order to achieve its objectives by attacking in an unhealthy way the social organizations—which we could call the resistance—free-market liberalism would tend to change the constituted juridical order and would necessarily degenerate into a tremendously repres-

sive fascist state, which would wage dirty war against anyone and everyone who symbolized opposition to its programs.

And thus the way to dictatorship is paved.

Although the Peruvian case, which we shall sketch in a hasty summary is, shall we say, a special case, it is not alien to the other underdeveloped societies which suffer the same scourge: the pitiless enforcement of the dictates of the Monetary Fund.

Trapped by this new order, established by the developed North at the expense of the impoverished South, countries like Peru easily become predictable, especially if we add in certain variables for the overall analysis of its society. Let us single out two in the Peruvian case: the presence of a gentleman named Hernando de Soto, big defender of the free market and promoter of the informal economy as an alternative economic activity for our people, and the appearance of cholera as the inevitable consequence of the habitual drain on resources to which international financial usury has subjected us, under the pretext that we have to be "responsible" and "honor" our obligations. Thus, prompt debt payments turn into a constant which only brings pain and prostration to our people.

We must make it clear that in the free-market plan our countries have only two options: to be raw materials exporters and captive markets for finished products which come from outside, with second-rate technology.

What is the informal economy?

Let us also make it clear that informality is the marginal condition in which 80% of economic activity in Peru unfolds and this supposes that among its basic traits—according to the International Labor Organization—is the single-family character of these tiny units of production, with almost no technology and no access to credit or to the market and hence their ability to make enough profit to survive.

Informal economic activity, which develops basically in the large cities of the Peruvian coast, does include the production of finished goods and capital goods—in metalworking, carpentry, shoemaking, and agriculture—transforming raw materials and thus contributing to the real development of the country. Obviously the informal economy also includes sales and the service sector, i.e., the tertiary sector of the economy.



Chris Lewis

Carlos Calderón Carvajal: Free-market liberalism is killing our nation.

It is this tertiary sector, the person who does not contribute to the physical economy of the country, who does not transform raw materials, who only serves to circulate money, who is promoted on two levels by the free marketeers: through Mr. Hernando de Soto and a million-dollar public relations campaign, and through the measures of the government of Mr. Fujimori, which is completely committed to the dogma of the market.

Hernando de Soto has sold the Peruvians on the false idea that informality is synonymous with street vendors. The government followed suit with a decree granting them juridical recognition as "peddlers."

The Institute for Liberty and Democracy, financed for Hernando de Soto by the United States, carries out multiple programs in which Peruvians are "taught" to be informal businessmen with extremely little capital, and the government implements a harsh policy of paying thousands of state workers to quit their jobs (in reality, disguised layoffs) and dictates a decree which sets up the mechanisms for forming small commercial businesses.

Hernando de Soto hawks the idea that the state cannot support its many employees and even if it could this is not fitting for a modern state, and the government is keeping the minimum wage under \$40 monthly and paying starvation wages to its employees, promoting mass desertion.

The "new breed" of liberals says that we must have competition so that the efficient will survive. The government lowers the tariffs on steel products, dealing the death-blow to national steelmaking and castrating any possibility that Peru will produce capital goods for industry.

The country must "get serious" in its treatment of the people and must not irresponsibly raise wages, at least until it is fiscally sound, say the free marketeers, and the government pays Peruvian teachers the proportionally lowest salaries of

the continent, provoking generalized strikes and massive school dropouts (1 million in just the last year). Children thus prematurely join the Economically Active Population, but do not appear in the official statistics, which only start at age 15.

So the plan is working well—for them.

The debt scourge lashes our people

Meanwhile, the scourge of the foreign debt continues to lash our people, undermining the minimal conditions required to live with dignity, as resources are committed to punctual payments of that debt.

This foreign debt, illegitimately contracted, usuriously increased, and mercilessly collected, has been and is the principal instrument of the world oligarchy for keeping our nations in underdevelopment.

To pay the foreign debt, Peru, like all debtors, had to:

- Drastically cut social spending for health, education, housing, and other social programs.
- Cut funds for the great water power projects which would convert the Peruvian coastal deserts into a giant farming zone.
- Abandon the highway grid, leaving productive zones without access to the market and great trading centers.
- Reduce state spending for national defense and law enforcement (the 1991 budget was the lowest in six years).
- Leave unfinished, or never begin, the infrastructure programs for sanitation (sewers, potable water systems), education (rural schools), and housing for the poor belts around the major cities, victims of crowding and promiscuity.

The state was also made to keep the income of the population at such inadequate levels, supposedly to fight inflation, that living standards deteriorated, and whole generations are in a state of malnutrition and real hunger.

How can one not understand, then, that the appearance of cholera, like any other epidemic, was easily foreseeable in the Peruvian case?

How can one not understand, moreover, that cholera—like other diseases which are fatal to a malnourished organism—is the direct result of the deteriorated living conditions which our people suffer, because priority has gone to paying a debt which is illegitimate and irrational?

In the last decade, Latin America transferred out—for debt service—some \$300 billion, yet Latin America owes \$100 billion more than it did in 1980. One-sixth of what was paid in the last ten years would have been enough to provide sewers and potable water systems for the entire continent.

Almost one year after we exposed this situation in the Peruvian Parliament, World Health Organization director Hiroshi Nakajima, in his visit to my country during the first quarter of this year, recognized that the main cause of the cholera epidemic was the economic adjustment policies demanded by the multilateral institutions—International Monetary Fund, World Bank—which do not allow investments

in environmental improvements (water, drainage, etc.).

Now that real socialism has collapsed, which is the greatest lesson in history—that no model is possible without taking human freedom into account—savage capitalism has become emboldened and has deified the market as the great ruler of our societies. This fact was questioned even by John Paul II, who found himself obliged to recognize that “the statement that the defeat of socialism leaves capitalism as the only model of economic organization, is unacceptable.”

The threat to the state

This is the context in which Peru’s free marketeers—probably made in my country, but certainly assembled in the United States—unfolded their activity. What we were able to foresee as the logical consequence of the free marketeers’ logic, has turned into a painful reality: We are witnessing the liquidation of our states, a grave reality, which snatches from our people the principal instrument of defense and social realization which they could have.

The threat against the structure of the state as such is of such magnitude that the government in the past two weeks has dictated a series of legislative decrees (a special legislative mechanism), with the direct endorsement of the Monetary Fund, involving almost every area of social activity.

It has arranged cutbacks in free education, which is a basic constitutional principle; the suppression of the labor community and other rights acquired by the workers; the suppression of the autonomy of the university, and its permanent militarization; the politicization of the Armed Forces, with the naming of its general commanders turned over to the personal will of the President, which breaks the chain of command upon which its institutional character and professionalism are based; the unrestricted freeing of the economy, destroying national industry, and turning the country over without any conditions whatever to foreign capital; the militarization of national life and the reduction of the role of civil society; and finally, the threat to the freedom of expression and the confiscation of the communications media.

All these legal moves show us the political determination to impose “savage capitalism,” aimed at consolidating the power of the few who have a great deal, against the many who have nothing.

As a parliamentary representative I am authorized by my party—the Alianza Popular Revolucionaria América (APRA)—to reaffirm the anti-militarist calling of our movement and our intention to be activists in solidarity with other brother movements in the world which resist this “unjust order” and who are fighting to change it, and for our societies to have real development, and so that our major resources some day may be oriented to attending to the internal debt facing us in the hunger and malnutrition of our children, the limited prospects of our youth, and the frustration of our adults, and that they not be destined to the payment of a debt, which history calls into question as illegitimate and usurious.

Peru’s Congress in uproar

The Peruvian Congress is the site of a battle over economic policy. Congressmen from the APRA party have joined with independent Deputy Dennis Falvy, some members of the left, and dissidents from the ruling Cambio 90 party, to form a coalition that is challenging recent government decrees which intend to impose even harsher austerity on the Peruvian people, while deregulating the economy as the International Monetary Fund is demanding.

The group has succeeded in censuring Agriculture Minister Enrique Rossl Link, also a proponent of free-market orthodoxy, and in overturning several decrees authored by Finance Minister Carlos Bologna. On Nov. 27, the lower House of Congress refused to grant extraordinary powers to Bologna which would have allowed him to impose new income and sales taxes, to raise \$400 million reportedly to reduce the government’s budget deficit. Bologna, a worshiper of British economic liberalism, recently explained that he never let moral considerations interfere with his economic decisions.

Not only did the coalition overturn Decree No. 754, which would have eliminated all of the state-run banks which provide credit to agriculture and other sectors of the economy; it also approved an Emergency Agrarian Law which provides credit and protection to agricultural producers. Bologna was violently opposed to the passage of this law.

President Fujimori is enraged that the Congress has dared to overturn his decrees and resist the austerity dictates of Peru’s foreign creditors. The Dec. 2 issue of *La República* reported that if the Congress censures Bologna as well, Fujimori will call for new elections to partially replace the existing Congress. In a speech to the CADE-91 gathering of businessmen, Fujimori said he would hold a plebiscite to change the Constitution to ban the reelection of congressmen. APRA Sen. Humberto Carranza Piedra volleyed that the President’s “emotional words against the state’s first power suggest a civilian dictatorship. He should know that he can’t dissolve the Congress with a plebiscite.” Manuel Dammert, a deputy of the moderate left, charged that Bologna and his decrees “intend to force us back into the 19th century of savage capitalism and dictatorship.” APRA deputy Carlos Rivas Davila explained that the Congress wanted to question Bologna, before considering censuring him, because the minister “answers to international financial entities and not to the country.” Bologna’s measures have plunged the nation into deep recession and poverty, Rivas said.