Democratic Accountability and Policy Change

Economic Policy in Fujimori's Peru

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Ask a political theorist what distinguishes democracy from other systems of government and the answer is likely to include terms like "responsiveness" and "accountability." For Robert Dahl, "continuing responsiveness of the government to the preferences of its citizens [is] a key characteristic of democracy.'[1] Citizens' ability to vote leaders out of office is the sharpest difference between dictatorship and democracy and "enables the citizens to hold the policymakers accountable for their performance, according to G. Bingham Powell.[2] For Philippe Schmitter and Terry Karl, "modern political democracy is a system of governance in which rulers are held accountable for their actions in the public realm by citizens."[3]

Among the mechanisms thought to provide the means of democratic responsiveness and accountability, elections are critical. Politicians use campaigns to try to identify themselves with the policies preferred by a majority of voters.[4] Once in office they anticipate the future retrospective judgment of voters at the next election by pursuing the policies they believe most will prefer.[5] Under most circumstances these policies will be the same ones that elicited majority support in the previous election. Therefore, as a corollary of the hypothesis that repeated elections cause governments to be responsive to citizens' preferences, repeated elections cause consistency between campaign pronouncements and policy.

The advanced industrial democracies offer evidence of mandate responsiveness, by which I mean consistency between campaign promises and government actions. Klingemann, Hofferbert, and Budge show that in ten OECD countries party manifestoes reveal parties' priorities and these priorities shape the policies of parties in office.[6] In an analysis of reform governments in Britain, France, and the U.S., Keeler finds that they came to power announcing an intention to mount reform programs and with large electoral victories, "mandates" for reform, pursued them.[7]

Yet we know that sometimes party programs and campaign pronouncements are poor predictors of government behavior. Consider the electoral dynamics of economic reform in some new and some not-so-new democracies. In the context of balance of payments shortfalls and high inflation, a presidential candidate who campaigns in favor of gradual stabilization defeats another who advocates austerity and liberal reforms. Immediately upon assuming office, before it can be claimed credibly that conditions have changed, the winner adopts policies that were advocated by the recently defeated opponent. The Latin American list of what Paul Drake calls "bait-and-switch populists" would have to be headed by Alberto Fujimori of Peru (1990), followed closely by Carlos Menem of Argentina (1989). Both candidates abandoned virtually every economic proposal laid out in their campaigns once they won office and replaced them with policies proposed by rival candidates on the right.[8] The pattern was repeated less sharply in Argentina in Menem's second term (1995), in Bolivia under Victor Paz Estenssoro (1985) and Jaime Paz Zamora (1989), in Brazil under Fernando Collor (1989), in Costa Rica under Rafael Calderón (1990), in the Dominican Republic under Salvador Jorge Blanco (1982), in Ecuador under León Febres Cordero (1984), Rodrigo Borja (1988), and Sixto Durán (1992), and in Venezuela under Carlos Andrés Pérez (1989) and Rafael Caldera (1993). The pattern is also visible outside Latin America, for example, in Australia under Bob Hawke (1982) and in New Zealand under David Lange (1983).

Guillermo O'Donnell was among the first to draw attention to the apparently uncontrolled quality of governments in South America. He wrote: "The president is taken to be the embodiment of the nation and the main custodian and definer of its interests. The policies of his government need bear no resemblance to the promises of his campaign—has not the president been authorized to govern as he (or she) thinks best?"[9] What leaves these presidents unconstrained are, first, the expectation of citizens and other actors that he is the "embodiment of the nation" and can be trusted to do what's best and, second, the lack of effective institutionalized mechanisms of "horizontal accountability" between the president and the legislature, courts, and bureaucracy. These two features—citizen complacence in response to all-powerful presidents and the absence of institutional checks on the president—distinguish the "delegative democracies" of South America from the representative democracies of the advanced industrial world.

What is the connection between abandoning promises and representing citizen interests? Under what conditions do politicians who wish to do the best for citizens, if only to win reelection, immediately abandon their campaign promises? My study analyzes one case of policy switch, Peru's Alberto Fujimori, to clarify the concept of government responsiveness and its connection with policy change.[10] I consider governments to be responsive when they take the same actions that a hypothetical assembly of citizens would take by majority vote if the assembly had the same information the government has. First, I contrast the economic policy positions of Fujimori's campaign with the early policies of his government to demonstrate that a remarkable switch occurred. Next, I present generic scenarios of responsive and unresponsive policy shifts. The mere fact of a shift is not in itself evidence of unresponsiveness. I then return to the Peruvian case. I reconstruct Fujimori's change of course as far as is possible with the information uncovered by my research. I interviewed politicians, economists, and former campaign advisers, reviewed campaign literature, newspaper reporting, and memoirs of politicians and figures close to their campaigns, and analyzed public opinion data. This information allows me to eliminate some explanations of the switch, including the one offered by the government and most widely believed by the public. It also allows me to explore the alternative configurations of motive and behavior that would make this switch responsive or unresponsive.

From Electoral Campaign to Policy Switch

Peru's 1990 presidential campaign took place against a backdrop of dire economic crisis. In 1989 GNP contracted by 10.4 percent, the rate of inflation rose to 2,775 percent, and the external debt stood at over US$19 billion (almost $1,000 per capita). This year was only the worst in a prolonged period of economic decline.

Peru's established political parties also fared badly in 1990. The APRA candidate could not distance himself from the failed incumbent administration of Alan García (1985–90). The coalition of socialist and Marxist parties that controlled the mayorship of Lima and many other cities in the 1980s and whose presidential candidate had run a strong second in 1985 split in 1989, leaving the two leftist presidential candidates debilitated. Only the two rightist parties were well positioned to win the presidency. They formed a coalition, FREDEMO, behind the candidacy of the novelist Mario Vargas Llosa.

Neither Vargas Llosa, the leading candidate at the outset of the campaign, nor Alberto Fujimori, who emerged as Vargas Llosa's main rival, were professional politicians. But Vargas Llosa had long been involved in national and international politics, and his candidacy had the backing of the two established conservative parties. In contrast, Fujimori was not tied to established political parties. Born in Peru to Japanese immigrant parents, Fujimori was a mathematician and in the 1980s rector of the National Agrarian University. For a brief time during García's administration he hosted a political talk-show on the state television channel. In 1990 he stitched together Cambio '90 (Change '90), more a campaign vehicle than a party, from socially progressive Protestant evangelicals and an association of informal sector workers. Fujimori's campaign rose from obscurity during the last month before the first round of the election in April. On March 8, when his name first appeared in public opinion polls (until then he had been listed as an "Other"), he commanded 4 percent support. His standing rose to 15 percent on March 25 and to 21 percent on April 1.[11] In the first round of the elections on April 8 he took 25 percent of the vote to Vargas Llosa's 28 percent.

All the candidates in 1990 agreed that Peru was in the midst of a dire economic crisis, and none argued for continuation of the status quo. Most of the major candidates, including Vargas Llosa and Fujimori, called for reforms that broadly placed them within the "Washington consensus."[12] The economic debate between Vargas Llosa and Fujimori evolved along four lines: the causes of and appropriate remedies for internal and external disequilibria, particularly inflation; the acceptable costs of stabilization in lost security and income; the optimal speed of stabilization; and the state's appropriate role in economic reform.

Vargas Llosa proposed to resolve the crisis through a neoliberal revolution. He viewed Peru's overgrown state as the main barrier to economic growth and "modernity." The state's role should be restricted to providing essential health, education, and communications services. Vargas Llosa proposed a "radical attack" on inflation with a drastic reduction of the fiscal deficit to stabilize the economy. The first weapon of attack would be a sharp, one-time increase of prices of consumer goods and state services, a fiscal adjustment known in Latin American parlance as a "shock." Prices remaining under state control would be raised to realistic levels, subsidies would be removed, and goods such as fuels would carry heavy excise taxes. Vargas Llosa's proposals reflected his and his advisors' opinion that inflation was a monetary phenomenon.[13] They viewed populist budget deficits, which in turn drove a high monetary growth rate, as the root cause of inflation. Fiscal adjustment would be accompanied by structural reforms, including sharp reductions in government personnel, privatization, and the repeal of "mercantilist" trade protection. Though painful in the short term, the measures promised to increase general welfare in the future. As one of Vagas Llosa's campaign slogans put it: "It will cost us . . . but together we will make the Great Change" (*Nos costará . . . pero juntos haremos el Gran Cambio*).

Post-mortem analyses of the campaign stressed Vargas Llosa's error in projecting a lack of concern for the likely costs of fiscal and structural adjustment in lowered real incomes and unemployment. One of Vargas Llosa's television ads dramatized the inefficiency of public sector employees by depicting a monkey, symbolizing the bureaucrat, urinating on a desk. This ad was controversial not only because of its bad taste—stills from it appeared on the covers of even pro-Vargas Llosa magazines, accompanied by critical stories—but also because of its disdain for public employees, who could expect to be fired *en masse*. Although only 10 percent of the electorate was employed by the state, the message that unemployment was an acceptable cost of structural adjustment frightened voters.

This fear was reinforced by Vargas Llosa's call to eliminate job security laws. Sometimes he chose hostile forums for this message. His memoirs contain an account of a speech before the General Confederation of Workers of Peru (CGTP), Peru's largest labor confederation, in which he called workers with job security a "tiny majority" and job security laws an "obstacle to growth."[14] To many, Vargas Llosa appeared as a liberal ideologue willing to sacrifice even modest security in favor of efficiency-promoting reforms.

Fujimori's campaign rhetoric had a very different flavor. He appealed to the lower and lower middle classes by advocating stabilization measures that would minimize recession and job loss. For advisors, Fujimori chose center-left economists, political independents whose message would resonate with the preferences of the poor, or at least exploit their fears.

In the general election campaign Fujimori attempted to stake out a centrist position on economic issues. He sharpened this position and defined more specific proposals between the election and the run-off in June. His two most prominent economic advisors were Santiago Roca, a professor of business administration at the School of Higher Studies in Administration (ESAN), and Adolfo Figueroa, a neo-Keynesian economist from the Catholic University. The informed public expected one to become economic minister and the other president of the central bank under a Fujimori administration. They served as campaign codirectors and brought in a team of academics and policy analysts, all independents with a center-left orientation.

Fujimori, first, opposed a one time draconian fiscal adjustment, the "shock." The team of advisors argued that an immediate, large increase in the price of government services, removal of subsidies on basic goods, and devaluation would be self-defeating. Because of the inertial component of inflation, previous shocks, administered repeatedly in the 1970s and 1980s, had only accelerated inflation. So central was this theme that it became known inside the Fujimori campaign as *el anti-shock*. In a televised debate with Vargas Llosa one week before the second round of the elections, Fujimori ended with the words: "The country must remember once again that FREDEMO is the shock; Cambio'90 is the no shock."[15]

Fujimori's advisors argued, further, that austerity would lead to further income concentration, a politically unacceptable outcome in a country with one of the world's most skewed income distributions (and one of the world's most successful guerrilla movements). Income concentration would also lower private investment and retard growth.[16] Fujimori's economists advised him first to bring inflation under control through negotiated price controls and wage indexation; only then should gradual adjustments be made in the prices of public sector goods and services and in the exchange rate. In short, he should promise "stabilization without recession."[17]

Fujimori's team also advocated a sequenced approach to debt negotiations. Alan García announced in 1985 his intention to restrict repayment of Peru's debt to 10 percent of the country's export earnings. Peru consequently fell out of the good graces of the IMF and the international financial community. In 1990 Peru's foreign debt stood at $19 billion; its total accumulated arrears were about $9 billion; and it was $800 million in arrears to the International Monetary Fund (IMF). Whereas Vargas Llosa proposed immediate negotiations with foreign creditors and international financial institutions, Fujimori's team believed that inflation should be brought under control before debt negotiations commenced, allowing Peru to face foreign creditors from a stronger bargaining position.

Finally, Fujimori envisioned a larger role for the state in the economy than did Vargas Llosa. His platform evoked a "debureaucratized" state that would stimulate selected industrial and agricultural sectors. He opposed Vargas Llosa's calls for blanket privatization. Instead, major state firms should remain public but be made more efficient. The state would provide incentives to manufacturing sectors composed of small, labor-intensive firms ("microindustry"); these firms would form the center of Peru's "social pact for development."[18]

Fujimori's campaign translated the candidate's proposals for stabilization, debt, and industrial policy from the recondite language of academic economists into positions, slogans, and symbols aimed at the mass public. Fujimori's emphasis on the economic risks of Vargas Llosa's policies was strengthened by an APRA television ad that appeared before the first round. It featured footage from the animated film "Pink Floyd: The Wall" that showed monsters devouring people and children crying while the ground opened under their feet. The message, though sponsored by APRA, echoed Fujimori's grim predictions about the consequences of Vargas Llosa's proposed stabilization strategy: lost income and jobs.

Poor voters' fears of the fiscal adjustment and structural reforms contributed to Fujimori's victory by 57 to 35 percent (with 8 percent of the votes invalid) in the second round of the elections in June. In the second round APRA and the Left threw their support behind Fujimori, contributing votes from their lower and lower middle class constituencies. Geographic patterns of support for the candidates, as well as polling data, point toward strong class effects on voters' choice. Vargas Llosa's support was largely urban and middle and upper class.[19] Slogans like "Together we will make the Great Change" notwithstanding, Vargas Llosa failed to convince lower class voters that his proposed economic reform program was in the interests of all. In one postelection poll 46 percent of lower class respondents who voted against Vargas Llosa said they opposed him because he "represented the interests of the rich," and another 17 percent "because of his right-wing ideas."[20] Fujimori, in contrast, attracted support among urban workers and the urban "popular sectors," as well as among the peasantry and rural workers.

Ten days after Fujimori's inauguration on August 7, 1990, tanks rolled onto the streets of Lima in preparation for the announcement the next day of a package of dramatic price adjustments: the "shock." The price of gasoline rose by 3,140 percent; the price of kerosene, used as cooking fuel by poor consumers, by 6,964 percent. Subsidies for many basic foodstuffs were removed, and their prices soared: bread by 1,567 percent, cooking oil by 639 percent, sugar by 552 percent, and rice by 533 percent. Medicine prices rose on average by 1,385 percent.[21]

Fujimori's longer-term economic reforms also read remarkably like those Vargas Llosa had proposed: exchange rate unification and liberalization, reduction and simplification of tariffs on imports, elimination of tariffs on exports, and capital market liberalization. These measures were followed later by fiscal reform, reduction of employment in government ministries and state-owned enterprises, privatization of state-owned enterprises and financial institutions, elimination of job security laws, elimination of wage indexation, liberalization of labor relations, and privatization of social security.

Scenarios of Responsive and Unresponsive Policy Switch

Policy switches are responsive when politicians are acting in what they believe to be the best interests of citizens, which also may be in their perceived self-interest. They are unresponsive when politicians pursue their own or a minority's interests that are at odds with the interests of the electorate.

Scenarios of Responsive Switches Responsive switches occur when voters underestimate the benefits of a policy and oppose it but the politician knows that retrospectively they will approve the policy if implemented. In this scenario of voter myopia politicians know more than citizens about exogenous conditions or about the likely effect of policies on the public's welfare. Under these circumstances even politicians who are purely concerned with winning reelection by improving welfare may deviate from their mandate.

Following Elster's terminology, we may call the campaign pronouncements of Vargas Llosa and Fujimori efficiency-oriented (E) and security-oriented (S), respectively.[22] If we suppose that during the campaign the politician views E as imposing short-term hardships but maximizing welfare over a longer period but believes that voters myopically perceive only the short-term hardships, his strategy will be to get elected by offering S in the campaign, then switch to E as a strategy for maximizing welfare.

Alternatively, in a veil of ignorance scenario politicians and citizens know that E will bring small benefits to a majority (lower inflation, cheaper consumer goods) and large losses to a minority (bankruptcies and unemployment). However, the individual effects, who will gain and who will lose, are not known. The expected losses are large enough that a majority opposes reforms *ex ante*. The politician anticipates the retrospective approval of reforms by a majority; once elected he therefore ignores his mandate (the winning platform) and implements reforms.[23] Once reforms are implemented and the uncertainty of the individual incidence of gains and losses is resolved, the majority that gained favors the reforms. This scenario's strategic implication for the politician is the same as with voter myopia: to campaign for S to win the election and impose E once in office to win reelection.

Finally, new information could lead responsive politicians to switch. The politician may campaign believing that S is superior for citizens and then learn upon assuming office that the state coffers are empty. Failure to impose austerity will harm citizens. Or he may campaign for both security-oriented policies and the resumption of borrowing from international financial institutions. In office he learns that, because of the preferences of foreign leaders, loans are contingent on austerity, and he believes that austerity now followed by the resumption of loans later is in the best interest of citizens.

In all of these scenarios the politician is responsive, despite abandoning his campaign promises.

Scenarios of Unresponsive Switches Politicians act unresponsively when they want something that is costly to voters. They may want to skim money for private use, enjoy the perquisites of office, or shirk, whereas maximizing voter welfare would require that they forego illicit private income, keep government small, and work hard.[24] Illicit income, excessive size, and saved effort are examples of what can be conceptualized as rents. Ideological commitment to a policy at odds with the preferences of a majority is a rent in this sense if politicians pursue their ideological objectives to the detriment of voters.

Politicians or private interests may pursue rents. If the politician needs money to finance campaigns and private interests provide the money at the price of policy concessions that are costly to voters, even politicians who are primarily interested in reelection and not private gain will act unresponsively.[25]

When politicians pursue rents rather than the public welfare, a government's actions may well be inconsistent with candidates' campaign positions. A politician who plans to skim (à la Olson), or enjoy perquisites (à la Niskanen), or shirk (à la Ferejohn) will not announce his intention. The politician who knows that he will have to impose costly regulations to benefit particular industries (à la Stigler and Becker) will not draw attention to this fact in the campaign, nor will the politician who wants to cultivate powerful personal allies at the cost of policies the voters want.

The Peruvian Switch: Responsive or Unresponsive?

The events surrounding Fujimori's change of course allow us to eliminate some explanations of why it happened, including the one the government claimed and the public widely believed. They do not allow us to answer definitively if the switch was responsive. However, if we bring the prior conceptual discussion to bear on the Peruvian case, it will help us distinguish responsive from unresponsive actions among the likely explanations of Fujimori's switch.

Soon after Fujimori won the second round election in June 1990 he was approached by politicians and intellectuals with ties to the Right. One was Juan Carlos Hurtado Miller, a leader of the center-right AP who had served as minister of agriculture from 1983 to 1985 during Belaúnde's second administration (1980–85). In 1990 the AP backed Fujimori's opponent, Vargas Llosa. Hernando de Soto, formerly a close associate of Vargas Llosa and the director of a pro-free-market think tank, also approached Fujimori.[26]

Competition ensued between Fujimori's campaign advisors and the new arrivals over a proposed visit by the president-elect to the United States and Japan. De Soto pressed hard for an early international trip. Adolfo Figueroa and Santiago Roca, now in charge of Fujimori's transition team, and Oscar Ugarteche, the team's expert on foreign debt, advocated delaying meetings with international financial leaders until after implementation of the gradualist stabilization program. De Soto prevailed, and Ugarteche resigned. Figueroa agreed to accompany Fujimori and De Soto on the condition that the trip would focus on protocol, not substantive discussions.

The three arrived in New York on June 22.[27] In an interview with me, Figueroa recalled that he quickly realized that he had underestimated De Soto's business and political contacts. De Soto's brother, Alvaro de Soto, was a special assistant to United Nations Secretary General Javier Pérez de Cuellar, a Peruvian. Through Pérez de Cuellar, De Soto arranged a meeting on June 28 at the U.N. between Fujimori and Michel Camdessus, the managing director of the IMF, Barber Conable, the president of the World Bank, and Enrique Iglesias, the president of the Interamerican Development Bank (IDB). At the meeting, as reported to me by Figueroa (who also attended), the following alternatives were communicated to Fujimori. If the new president tried to avoid an immediate, painful adjustment, his administration would run the course of Alan García's. If he did not adjust, he ought not to turn to the international financial institutions for help. If he did adjust and complemented "realistic" short-term stabilization measures with structural reforms, the international financial institutions would help him. In other words, if the government did nothing, it would face continued isolation; if it did everything the international financial institutions wanted, it could count on them for full support.

The Japan leg of the trip was equally disastrous from the perspective of Fujimori's neo-Keynesian advisors. The Japanese prime minister told the president-elect that he planned to help Peru but admonished him first to reach an agreement with the IMF. In an interview, Santiago Roca joked that, when Fujimori met the emperor of Japan, his first words were: "Nice to meet you, Mr. Fujimori. Reach an agreement with the IMF." On the plane trip back to Lima Figueroa realized that Fujimori no longer required his advice. Within weeks he and Roca resigned.

In the prevailing view of members of Fujimori's campaign and transition teams, the international trip led Fujimori to change course. These advisors did not believe Fujimori had dissimulated firm intentions during the campaign to embark on programs of harsh adjustment and reforms, although in retrospect one advisor saw signs that he began wavering and may have foreseen reversing his campaign platform, at least in regard to fiscal adjustment. Fernando Villarán, an expert in micro-industries who was part of the first team of advisors, told me in an interview that he had been suspicious of candidate Fujimori's dogged insistence on *el anti-shock*. Villarán told Fujimori that some adjustment was coming, so he should not place so much weight on the antishock. "Think more like a statesman, not only like a politician." Fujimori replied: "If I don't think like a politician now, I'll never get to be a statesman." Still, Villarán agreed with the other former advisors I interviewed that Fujimori's economic policy intentions changed as a result of his international trip as president-elect.

The fact that Fujimori decided to change course before the new government was formed allows us to discard new fiscal information as explanation of the switch. Inside information about the true size of the deficit was not available to Fujimori in June, when his new cabinet was not yet selected and no transition activities between old and new governments were underway. Hence Fujimori and his finance minister were less than candid when they claimed publicly that new information motivated the switch. In his inaugural address on July 28, 1990, Fujimori foreshadowed this justification, and it was explicitly offered by economic minister Hurtado in his televised speech on August 8 announcing the package of price adjustments. He claimed that the corruption and mismanagement of the out-going administration had depleted the treasury and that the deficit and current account shortfalls were discovered only when the new government came to office.

Polling data suggest that most of the public, or at least the majority who had voted for Fujimori, was receptive to the government's explanation. A poll taken in September 1990 found that 63 percent of respondents who reported they voted for Fujimori agreed with the statement, "he did not plan a shock but in office found no alternative," and 29 percent that "he tricked the people when he said there would be no shock" (versus 27 and 69 percent, respectively, among those who reported they voted for Vargas Llosa).[28]

As it turned out, international financial leaders did intervene at critical moments to support Fujimori against domestic foes. Their first notable intervention in Peruvian domestic politics came in late 1991, when the president embarked on attacks against congress that ended in the April 1992 *coup d'état*. Just as the conflict intensified, the World Bank issued a statement endorsing Fujimori's economic program, contending that its achievements in trade liberalization were yielding results faster than Chile and Mexico. The IMF's Michel Camdessus visited Lima in support of Fujimori in February 1992. International financial leaders offered conspicuously muted criticism of the *coup d'état*, compared to the vigorous denunciations by foreign governments (including the U.S.) and the Organization of American States. Though unhappy with the coup, the international financial institutions sent signals that they would not abandon Fujimori. Hence the representative of the Interamerican Development Bank announced in September 1992 that full resumption of loans was not conditional on a return to democracy. And Carlos Boloña, who replaced Hurtado as economic minister in early 1991, reported to the Peruvian press that in a meeting with Enrique Iglesias, head of the IDB, immediately after the coup Iglesias told Boloña that he was "looking for a way to support Peru so that our process of reentry [into the international financial community] would not be blocked."[29] The coup did not reduce funds from the international financial institutions to Peru. By the end of 1992 the IDB had disbursed all U.S. $390 million scheduled to flow to the country that year.[30]

Does the government's misleading information about the reasons behind its change of course mean that it was acting unresponsively? If it was dissimulating in order to hide rents—personal rewards, protection from political foes, saved effort—then the answer would be yes. If the government thought the public's interest lay in changing course in deference to international financial institutions, but knew that responding to international pressure would be unpopular and did not want to appear to adopt painful measures under foreign pressure, then the answer would be no.

Because the Peruvian policy switch came in response to foreign pressure, we may discard rent seeking in a narrow sense as an explanation of Fujimori's decision. No convincing case can be made that Fujimori sought bribes. He did not stand to benefit financially from reforms, and accusations of corruption against him have been remarkably absent. Furthermore, his actions were not consistent with either Niskanen-type rents (he reduced the size of the government) or Ferejohn-type rents (he did not shirk). Although his government would have faced more onerous negotiating efforts with international institutions and foreign governments had it not emitted strong signals that it was committed to painful reforms, on many occasions Fujimori proved himself willing to rankle powerful foreigners if doing so won him domestic favor and if those foreigners had no valuable political resources to offer him. An example was his strained relations with the Bush administration over drug policy. Finally, Fujimori did not pursue hidden ideological convictions. All the people I interviewed who had extensive direct contacts with Fujimori, including some whose contacts went back many years, agreed that he was a pure tactician, free of ideological commitments.

If Fujimori did not pursue these kinds of rents, why did his contact with international financial leaders change his course? Consistent with the responsive-politician-myopic-voters scenario, he might have been convinced by technical arguments that efficiency-oriented policies would improve the general welfare (and hence his future political prospects). He might have become convinced, for example, that people's beliefs about the painful effects of austerity were overly pessimistic or that, once having traversed the economic trough associated with the painful stage of adjustment, Peruvians would see better times ahead and would not want to reverse course. We know that Fujimori indeed became a popular president and won reelection overwhelmingly in 1995.

Several considerations lead me to rule out this explanation. Fujimori's meetings, according to Figueroa and press reports, were political negotiations, rather than technical discussions. The international financial institutions communicated their preferences and likely courses of action in response to alternative policies, rather than the likely effects of alternative policies, for example, on levels of inflation and budget deficits. Fujimori, furthermore, was a sophisticated thinker, a mathematician who, according to his advisors, had during the campaign understood the logic of the neo-Keynesian prescriptions that his advisors fed him and he advocated before the public. He would not have been intimidated by the mere presentation of technical arguments in favor of efficiency-oriented policies. Hence we may discard this version of the voter myopia scenario.

Most likely, the meetings in New York and Tokyo made Fujimori more aware of the costs, in terms of international political and financial backing, of abiding by his campaign promises. He was undoubtedly unaware of these costs before the election, but they became more salient to him from his vantage point as president-elect. Perhaps he reasoned that without the reinitiation of loans the economic crisis would persist, his administration would be deemed a failure, and any ambitions he harbored for the future would be frustrated. This explanation would lie somewhere between a new information scenario—the politician learned the real constraints placed on policy by powerful actors only when he assumed office—and a myopic voter scenario—the politician understood these constraints during the campaign but thought voters did not. Fujimori may also have inferred from these meetings that the price of consistency with his mandate was not the rejection of loans—lenders might after all have been coaxed into supporting the new Peruvian government—but rather the loss of enthusiastic personal loyalty to him, loyalty that might come in handy in paying for future campaigns or securing new jobs.

If these explanations were true, was Fujimori's switch unresponsive? If Fujimori believed that, by abiding by his campaign pronouncements, foreign lending would not be resumed and economic deterioration would continue, outcomes that were bad for Peruvians and would lead them to interpret his government as a failure, he acted responsibly. One can well imagine an assembly of citizens deciding to switch to economic policies after learning that tough austerity alone would induce international lenders to resume lending. However, if Fujimori switched despite the belief that his gradualist adjustment proposals would halt deterioration and succumbed to pressure from powerful elites whose support he sought for personal advancement, then his switch was unresponsive. If an assembly of citizens strongly preferred a security-oriented program and was faced with a choice between economic security and the backing of powerful elites, they might well choose the former.

Conclusions

What insights into accountability and policy change in democratic systems has this excursion into Peruvian politics yielded? First, immediate and radical policy switch does not necessarily signal a violation of accountability or responsiveness. We have seen that politicians may violate their mandate while remaining responsive; they may have to violate campaign promises if they are to maximize the general welfare when they have information about the impact of policies on welfare that citizens lack. But if politicians abandon mandates in order to extract rents, or if they make policy concessions harmful to voters in order to secure political support, they are unresponsive. Second, contrary to much democratic theory, the anticipation of voters' retrospective judgments in systems of repeated elections does not guarantee responsiveness. Politicians who pursue rents will enact policies at odds with those preferred by voters, and elections do not necessarily weed out rent-seeking politicians. Third, Fujimori's policy shift in Peru underscores citizens' difficulty in obtaining the information needed to impose responsive behavior on politicians. Did policies change because politicians pursued social welfare, political support from special interests, or rents? Did the president tell the truth when, after assuming office, he claimed that the outgoing government had emptied the state's coffers? Or had he been bought off by bankers and foreigners?

Since asymmetries of information are endemic in representative democracies, citizens may simply not know enough to punish unresponsive governments and thus may not be able to encourage responsiveness in the future.[31] The grimness of this conclusion has sent scholars in search of proxies or heuristics that people can observe and that will allow them to keep politicians in line. Jacobson and Dimock, for example, claim that evidence of corruption can distinguish between politicians who are generally trustworthy and those who are unworthy of trust.[32] Arnold suggests that challengers and activists will alert voters "when things are seriously out of line," which will be sufficient to induce governments to be responsive.[33]

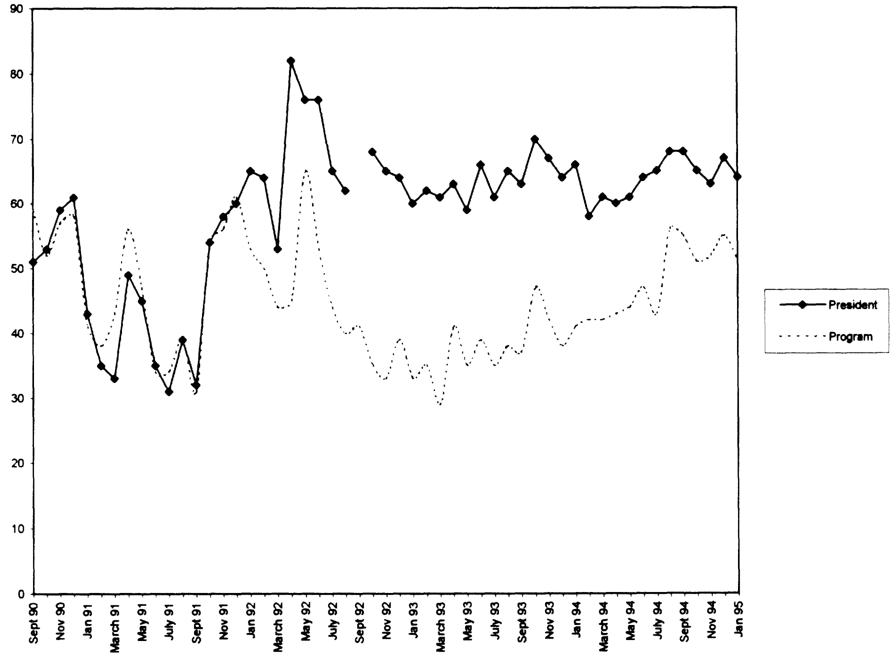
Our search for a proxy might well lead us back to the concept of mandate responsiveness: holding politicians to their campaign promises. Citizens may have an interest in mandate responsiveness as a means of imposing responsiveness in general. Certainly, they want to make real choices in elections. They have an interest in the ability of competitive campaign rhetoric to reveal the best information possible about exogenous conditions, policy alternatives, constraints on policymakers, and politicians' character. If campaign promises are known to be irrelevant to policy, then citizens who wish to sanction an incumbent by voting for a challenger have no reason to believe that the challenger's performance will be any different. Furthermore, while much of the information required to impose responsiveness will be obscure, campaign positions are widely publicized during the campaign and during the term by both incumbents and opponents. Campaign positions are relatively transparent, whereas economic conditions, politicians' motives and actions, and policy effects are not. Finally, consistency between campaign promises and policy, like Jacobson and Dimock's evidence of corruption, may allow citizens to distinguish between rent-seeking and voter-welfare-minimizing politicians.

Yet the epilogue of our story points toward the impracticality of imposing mandate accountability. Fujimori's switch was probably the sharpest divergence from mandate accountability on record. But he became a highly popular president and was reelected. In changing course Fujimori may have been unresponsive. He may have pursued personal rewards and sacrificed the public's material welfare, a possibility my data do not allow us to reject. Peruvians may well have viewed their government favorably and reelected it in 1995, even if they knew that Fujimori had acted unresponsively in 1990. They might well have chosen to reelect a president whom they saw as restoring order to their society, even though he had adopted unpopular policies, which never garnered strong public support, by surprise.

Fujimori's popularity during his first term was driven not by retrospective judgments about economic stabilization, the issue that had dominated the 1990 campaign, but by the perceived restoration of political order after the 1992 *coup d'état*.[34] The coup buoyed presidential approval greatly and stabilized it. Fujimori's average monthly approval rating before the coup was 49 percent (standard deviation = 11), but after the coup 65 percent (standard deviation = 5).[35] Had retrospective judgments in 1995 revolved around economic policy, the president would not have fared so well. Over the course of his first term public approval of the economic program was anemic and lagged well below approval of the president (see Figure 1). If Fujimori had had to survive votes of confidence in which popularity of his economic policies was the sole deciding factor, he would have been defeated in thirty-five out of forty-six months.

The challenge to accountability illustrated by this aspect of the Peruvian story is deeply embedded in representative institutions. A government that acts against citizens' preferences in one area may act in their favor in a second. Peruvians did not have the option of voting against the government's economic program and in favor of its security successes. And citizens' concerns may shift over the course of a governmental term, so that the defining issue in a prior election becomes a secondary component of voters' judgments in the next. We should resist the formula whereby reelected governments are by definition responsive.[36] As the

Figure 1 Approval of President and Program, 1990–1995



SOURCE: APOYO

Peruvian experience suggests, citizens may choose to reelect a government even if in some ways it has acted unresponsively. We would do better to conclude that shifting public concerns and the bluntness of elections in rewarding and punishing governments place limits on democratic accountability.

NOTES

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1. Robert Dahl, *Polyarchy: Participation and Opposition* (New Haven: Yale University Press, 1971), p. 1.

2. G. Bingham Powell, Jr., "Holding Governments Accountable: How Constitutional Arrangements and Party Systems Affect Clarity of Responsibility for Policy in Contemporary Democracies," paper presented at the meetings of the American Political Science Association, San Francisco, 1990, p. 1.

3. Philippe Schmitter and Terry Lynn Karl, "What Democracy Is . . .And What It Is Not," *Journal of Democracy,* 2 (1991), 76.

4. Anthony Downs, *An Economic Theory of Democracy* (New York: Harper and Row, 1957).

5. Bernard Manin, *Principes du gouvernement représentatif* (Paris: Calmann-Lévy, 1995); David Mayhew, *Congress: The Electoral Connection* (New Haven: Yale University Press, 1974).

6. Hans-Dieter Klingemann, Richard I. Hofferbert, and Ian Budge, *Parties, Policies, and Democracy* (Boulder: Westview Press, 1994). See also Ian Budge, David Robertson, and Derek Hearl, eds., *Ideology, Strategy, and Party Change: Spatial Analysis of Post-War Programs in Nineteen Democracies* (London: Cambridge University Press, 1987).

7. John T.S. Keeler, "Opening the Window for Reform: Mandates, Crises, and Extraordinary Decision-Making," *Comparative Political Studies,* 25 (1993), 433–86.

8. Paul Drake, "Comment," in Rudiger Dornbusch and Sebastian Edwards, eds., *The Macroeconomics of Populism in Latin America* (Chicago: University of Chicago Press, 1991), p. 36.

9. Guillermo O'Donnell, "Delegative Democracy," *Journal of Democracy,* 5 (1991), 59–60.

10. There are two potential objections to my use of the Peruvian case to explore government responsiveness. First, until 1993 Peruvian presidents were constitutionally required to sit out one presidential term before seeking reelection. This limitation on reelection may have diluted the constraining effect of anticipated future elections on the behavior of Peruvian presidents and may partly explain Fujimori's radical shift. However, even before the constitution was rewritten in 1993 to allow immediate presidential reelection (due to Fujimori's own efforts), Fujimori's behavior was intensely forward-looking and electoral. Furthermore, policy switches have occurred in Latin American countries, such as the Dominican Republic, even when immediate presidential reelection was permitted, as well as in parliamentary systems, such as Australia and New Zealand, where prime ministers face no term limits. Second, Fujimori in 1992 orchestrated a palace coup, closed congress, and suspended the constitution with the backing of the armed forces. It may be objected that Fujimori's uneven commitment to democracy invalidates the use of this case to explore democratic responsiveness. However, many politicians in democracies throughout the world might be tempted to indefinitely prolong their tenure by military intervention but do not try because they anticipate failure. Fujimori calculated that he would succeed (a calculation that proved only temporarily accurate). He was not fundamentally different from politicians in most democracies, and during the periods when he was constrained by democratic institutions, his behavior throws light on the problem of responsiveness.

11. Apoyo, *Informe de Opinion*, March and April 1990.

12. John Williamson, *Latin American Adjustment: How Much Has Happened?* (Washington, D.C.: Institute for International Economics, 1990), uses this phrase to describe beliefs broadly held among Washington analysts and policymakers regarding "desirable economic reforms" such as fiscal discipline, tax reform, and trade liberalization. In a more recent publication Williamson notes the broad areas of disagreement within the "consensus" over how far and how rapidly inflation should be reduced, the usefulness of incomes policies and wage and price freezes, whether and to what extent income should be redistributed, and the role of industrial policy. See John Williamson, *The Political Economy of Policy Reform* (Washington, D.C.: Institute for International Economics, 1994), pp. 17–18.

13. See Javier Iguíñiz, "Perú: Ajuste e inflación en el plan Fujimori," in *Elecciones y política económica en América Latina* (Buenos Aires: CEDES and TESIS, 1991).

14. Mario Vargas Llosa, *El pez y el agua: Memorias* (Barcelona: Seix Barral 1993), p. 497.

15. InterCampus, *El Debate* (Lima: Universidad del Pacífico, 1990), p. 91.

16. See Adolfo Figueroa, *Crisis distributiva en el Perú* (Lima: Pontificia Universidad Católica del Perú, 1993).

17. Cambio '90, *Lineamientos del Plan de Gobierno 1990* (Lima: Cambio '90, 1990), p. 53.

18. Ibid., p. 8.

19. Carlos Iván DeGregori and Romeo Grompone, *Demonios y redentores en el nuevo Perú* (Lima: Instituto de Estudios Peruanos, 1991).

20. Responses of the two poorest groups of respondents to Apoyo's June 1990 poll of 300 Lima residents; 16 percent opposed Vargas Llosa because they "didn't trust him or didn't like him," and 5 percent for "other reasons."

21. These increases had a devastating short-term effect on the household budgets of poor families. According to Iguíñiz, pp. 405–6, the one-time payment of 8 million *intis* which private sector workers were supposed to receive to soften the impact of the measures (but which many never received) was the equivalent of ten days worth of bread for the average family. Real wages of private sector workers fell to about half their preadjustment levels, and of public sector workers by even more. Official estimates put the number of people suffering extreme poverty at 7 million before the measures and 12 million after (Peru's total population was 22 million).

22. Jon Elster, "The Impact of Constitutions on Economic Performance," *Proceedings from the Annual Bank Conference on Economic Development* (Washington, D.C.: The World Bank, 1995), pp. 209–26.

23. Note, however, that voters know that a majority would retrospectively support reforms, after the uncertainty about their individual efforts was resolved, and hence would find incredible the politician's *ex ante* claim that he does not plan to impose them. In contrast, when voters are myopic, they do not accurately forecast the effect of reforms and do not anticipate their own *ex post* approval of policies they previously opposed. For the first scenario, see Raquel Fernandez and Dani Rodrik, "Resistance to Reform: Status Quo Bias in the Presence of Individual-Specific Uncertainty," *American Economic Review*, 81 (1991). The authors misleadingly claim they are explaining a bias against efficient reforms; in fact the reforms are Pareto-inferior to the status quo.

24. See, respectively, Mancur Olson, "Autocracy, Democracy and Prosperity," in Richard J. Zeckhauser, ed., *Strategy and Choice* (Cambridge, Mass.: MIT Press, 1991), pp. 131–57; William A. Niskanen, *Bureaucracy and Representative Government* (Chicago: University of Chicago Press, 1971); and John Ferejohn, "Incumbent Performance and Electoral Control," *Public Choice*, 50 (1986), 5–25.

25. See George J. Stigler, *The Citizen and the State: Essays on Regulation* (Chicago: University of Chicago Press, 1975); and Gary Becker, "Competition and Democracy," *Journal of Law and Economics*, 1 (1958), 105–9. Stigler, pp. 123–28, contends that individuals are affected little by particular regulations and therefore have little incentive to learn about them or sanction legislators who impose them. Citizens are thus rationally ignorant of regulation. Still, one would expect that, if the cumulative costs of regulation over all industries are as high as Stigler believes, then citizens would have an interest in knowing about regulation as a general practice.

26. De Soto is best known for his book, *The Other Path*, which extols the entrepreneurial spirit of Peru's informal sector and identifies government bureaucracy as the main hindrance to economic development.

27. Ironically, Fujimori arrived in the U.S. while the furor still raged over George Bush's then-recent reneging on his "no new taxes" campaign pledge.

28. Apoyo, *Informe de Opinión*, September 1990.

29. Cited in *Latin America Regional Report Andean Group*, May 1992.

30. *Situación Latinoamericana*, 11 (October 1992).

31. Herschel I. Grossman and Suk Jae Noh, "A Theory of Kleptocracy with Probabilistic Survival and Reputation," *Economics and Politics*, (1990), 151–71.

32. Gary C. Jacobson and Michael A. Dimock, "Checking Out: The Effects of Bank Overdrafts on the 1992 House Elections," *American Journal of Political Science*, 38 (1994), 601–24.

33. Douglas Arnold, "Can Inattentive Citizens Control Their Elected Representatives?," in Lawrence C. Dodd and Bruce I. Oppenheimer, eds., *Congress Reconsidered*, 5th ed. (Washington, D.C.: CQ Press, 1993), p. 409.

34. Peruvians viewed the coup itself as a sign that authority had been reestablished. See Julio F. Carrión, "The 'Support Gap' for Democracy in Peru: Mass Public Attitudes towards Fujimori's Self-Coup," paper presented at the Eighteenth International Congress of the Latin American Studies Association, Atlanta, March 10–12, 1994. This reaction was reinforced in September 1992 with the capture of Abimael Guzmán and other members of *Sendero Luminoso*'s leadership.

35. See Susan C. Stokes, "Economic Reform and Public Opinion in Peru, 1990–1995," *Comparative Political Studies*, 29 (October 1996).

36. For example, it would be inadequate in light of agenda control. See Richard D. McKelvy, "Intransitivities in Multidimensional Voting Models and Some Implications for Agenda Control," *Journal of Economic Theory*, 12 (1976), 472–82.