

Even if they are confident that prosperity lies just over the horizon, politicians who embark on promarket reforms know they are in for some stormy weather. How will they fare in voters' eyes once the pain is felt? Will voters inevitably turn against politicians who impose painful measures without an electoral mandate to do so? The story of economic reform and public opinion in Peru under Alberto Fujimori (1990-1995) poses just these questions. The author uses monthly public opinion polls and monthly economic data to analyze the impact of economic changes during Fujimori's reform program on opinions of the reforms and the president. The author finds that Limeños withdrew support from the program and the president when employment fell and inflation rose, responses consistent with the findings of the economic voting literature. But when real wages fell, they became optimistic about the future and more likely to support reforms and the government.

## ECONOMIC REFORM AND PUBLIC OPINION IN PERU, 1990-1995

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**E**ven if they are confident that prosperity lies just over the horizon, politicians who embark on promarket reforms know they are in for some stormy weather. One way to survive the storm is to convince the public that pain now will lead to prosperity later. Mario Vargas Llosa's slogan in the 1990 Peruvian presidential campaign, "It will cost us, but together we will make the Great Change," was echoed by neoliberal reformers around the globe. Another way to survive the storm is to put the blame on political opponents and ghosts of the past. Painful measures are made necessary by the "mismanagement and irresponsibility" of the outgoing government, claimed president Alberto Fujimori when he first announced fiscal adjustment in August 1990;

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ongoing hardships, he later claimed, were the fault not of his program but of obstructionists in Congress. This strategy of casting blame elsewhere also was repeated in other places where neoliberal reforms were being attempted, as in Poland (see Przeworski, 1996, this issue).

Weathering the storm may be all the more difficult for politicians who fail to generate a mandate for reforms in their electoral campaigns and more difficult still for politicians who actually campaign against liberal reforms only to pursue them once in office. How will they fare in voters' eyes once the pain is felt? Will voters inevitably turn against politicians who impose painful measures without an electoral mandate to do so?

The story of economic reform and public opinion in Peru under Alberto Fujimori (1990-1995) poses just these questions. No one could doubt that in 1990, the Peruvian economy was in a shambles. Would the urgency of the crisis, including a sustained bout of hyperinflation, lead the public to accept even greater hardships on the promise of better times ahead? Perhaps. But by 1990, Peruvians already had lived through many years of decline. With real incomes in 1990 below their 1974 level, might not the public demand immediate improvement? And in a country of vast differences in income and wealth, would not the majority of citizens, who were struggling, find it hard to believe that the pain was being shared fairly?

Peruvian political rhetoric in the early 1990s contained messages intended to evoke an "intertemporal" response in public opinion (see Stokes, 1996, this issue; Przeworski, 1996, this issue). Politicians exhorted people to accept pain as the price for later prosperity. The figure who most explicitly mounted this appeal, Mario Vargas Llosa, went down to defeat, in large part because lower-class voters saw the appeal as thinly veiled class interest. Perhaps because of Vargas Llosa's fate, Fujimori adopted an exonerating and antidotal strategy, asking voters to blame hardship on earlier governments and the opposition and exhorting them to see the reform program as the remedy for that hardship. Yet Fujimori's position was delicate: Elected after a campaign in which he ridiculed his opponent's liberal proposals, he later claimed both ignorance of the dimensions of the fiscal crisis at the end of García's term and ongoing obstruction by congress. Would the public buy his claims?

In this article, I analyze the response of Lima public opinion to economic conditions and political events during the economic reform program of Fujimori's first term (1990-1995). I begin by outlining Peru's economic travails after the return to civilian rule in 1980 and describe the solutions advocated in the 1990 presidential campaign. Next I analyze how public opinion of the reform program and the president responded to economic conditions and to political events during Fujimori's first term. I show that the hardships of adjustment did not send public approval of the Peruvian gov-

ernment into a free fall. In some limited ways, intertemporal beliefs shielded the government and the program from public discontent when times were hard. But the willingness of Peruvians to wait through periods of high unemployment or inflation was limited, and their judgments often accorded with the "normal" economic voting pattern in which economic downturns lead to declining public support for governments (see Lewis-Beck, 1988; Paldam, 1988; Stokes, 1996, this issue). Hence, often when times were hard, Limeños became pessimistic about the future and blamed the government. Fujimori's most valuable resource in retaining support through hard times was the fact that voters had to judge government performance over a range of issues: some that had shaped voters' decisions in the elections and others that emerged *de novo* once the president was in office.

### THE 1980s: ECONOMIC POLICY AND CRISIS

The Peruvian economy lurched from crisis to crisis in the decade after 1980, the year a civilian government was elected after 12 years of military rule. The retiring military regime left the first civilian government, led by the center-right Fernando Belaúnde Terry (1980-1985), with a positive current-account balance and more than \$1 billion in foreign reserves. This favorable picture quickly faded. Declining export prices, anemic private investment, and a mounting foreign debt produced stagnation in 1982; GDP contracted by 12.3% in 1983. Inflation, which stood at 60% in 1980, rose to 125% in 1983. Between 1982 and 1985, real wages fell by more than 35%.

Although the Belaúnde government operated under a series of IMF agreements in 1984, its policies hardly amounted to a neoliberal revolution. Efforts to sell public enterprises foundered and the budget deficit grew. The government responded to surging debt service payments—which in 1981 absorbed 46% of export earnings—by quietly falling into arrears in 1984. The effect of the Belaúnde-era economic debacle created a link in the mind of many voters between this conservative government's policies, or at least its neoliberal rhetoric, and a series of economic ills: inflation, falling wages, and lost jobs.

Discontent with the economic performance of the Right contributed to improved electoral performances by the Center-Left APRA party and by the socialist United Left coalition in the 1980s. The Shining Path guerrilla movement also benefited from the conservative government's economic debacle. In 1985, APRA's Alan García won an absolute majority of votes in the first round of the presidential election, making unnecessary a run-off

Table 1  
*Macroeconomic Indicators, 1980-1991*

	Average							
	1980-1984	1985	1986	1987	1988	1989	1990	1991
GDP <sup>a</sup>	22.4		22.3	24.7	27.1	25.1	22.0	21.5
Percentage of GDP growth	0.4	1.7	10.8	9.7	-7.4	-12.4	-2.4	2.1
Per capita GDP growth	-1.9	-0.5	8.5	8.1	-10.0	-14.9	-6.4	0.0
Consumption growth	1.4	0.8	14.3	9.2	-8.6	-16.6	-5.5	3.9
Inflation	84.5	169.8	78.9	81.5	580	2,777	6,800	139
Foreign debt <sup>b</sup>	10.6	12.8	13.5	14.4	15.4	18.7	19.9	20.9
Real wages in Lima <sup>c</sup>	18.6	12.5	16.8	18.2	11.4	10.4	5.7	6.5
Employment in Lima <sup>d</sup>		85.0	90.1	97.7	95.6	85.1	82.9	78.7

a. In \$U.S. billions.

b. In \$U.S. billions.

c. Average daily real wage in thousands of 1991 new soles.

d. Index of employment in manufacturing firms in Lima with more than 100 employees (1979 = 100).

Source. *Perú en números 1992*, Cuánto, S.A.

between García and the second-place United Left candidate. Belaúnde's incumbent Popular Action party mustered a mere 7% of the vote.

The García government pursued a quintessential heterodox stabilization program (see Pastor & Wise, 1992). Its central features were price controls, a frozen exchange rate (after an initial sharp devaluation), demand stimulation, limited debt service, and increased public investment. Expansionary measures produced 16% growth in GDP over the first 2 years of the APRA government, whereas price controls initially restrained inflation. Wages surged and income distribution became more equal.

The APRA government's economic program was soon to prove unsustainable. The government's self-imposed limitation of foreign debt service payments to 10% of export earnings irritated foreign creditors; the IMF declared Peru an "ineligible borrower" in August 1986. Meanwhile, the domestic expansion brought a surge in imports, from \$1.2 billion in 1985 to \$3.5 billion in 1987. The government failed to pursue a vigorous program to stimulate exports. Foreign reserves fell, from \$1.3 billion in 1985 to \$81 million in 1987. Growing budget deficits (caused by declining tax revenues rather than increased spending) fueled inflation. A major policy shift in mid-1988 toward devaluation, public-sector price increases, and revenue-enhancing measures successfully reduced the budget deficit and the trade imbalance and increased

foreign reserves. But the measures failed to control inflation, which rose to 2,800% in 1989 and 7,400% in 1990.

Hyperinflation after a period of expansion teaches a hard lesson, and we will see, in the next section, that Limeños across the class spectrum learned this lesson. But not all drew the same conclusions about what the best anti-inflation policies would be. Polls taken at the end of the García government found that the wealthy favored a drastic one-time fiscal adjustment, known as a *shock*, whereas the poor were as frightened by the prospect of radical price adjustments as they were by the crisis itself. A poll taken in May 1990 (when the monthly inflation rate was 32.8%) found that 74% of the wealthiest stratum of respondents favored a shock to end inflation, compared to only 17% of the poorest. Sixty-seven percent of the poor preferred a "gradual" program, compared to 19% of the wealthy (Apoyo, 1990).<sup>1</sup> In sum, the García heterodox experiment left a residue of sensitivity to inflation but did not eliminate the class lens through which Peruvians viewed stabilization policies.

How to exit from the economic morass was the central issue of the 1990 presidential campaign. The major candidates' rhetoric reflected the diversity of opinions about stabilization programs; indeed, their competitive rhetoric undoubtedly deepened the public's preferences and fears. Mario Vargas Llosa believed that the route to national development—"modernity"—lay in removing the state from all productive activities and all but a few services. He drew a close connection between political liberalism, for which he had struggled for decades, and economic liberalization. He viewed the statist actions of the García government, in particular its (failed) effort to nationalize private banks, as a sign of an impending APRA dictatorship (Vargas Llosa, 1993, p. 36).

Vargas Llosa appears to have believed deeply that the liberal economic revolution he advocated, although painful in the short term, would benefit all Peruvians, as expressed in the campaign slogan cited earlier: "It will cost us . . . but together we will make the Great Change" (*Nos costará . . . pero juntos haremos el Gran Cambio*). But his sense of being on a crusade for neoliberalism left him reluctant to make any concessions in deference to voters' concern for economic security. He lectured labor unionists about the unwarranted privileges enjoyed by unionized workers and fanned fears of massive layoffs by airing a TV commercial that depicted public employees as lazy

1. Apoyo publishes many results broken down by socioeconomic strata, which it labels A, B, C, and D. A is the wealthiest stratum, and SES declines through D, the poorest. Apoyo assigns respondents to socioeconomic strata according to their score on an index, which is calculated based on the area in which they live and the presence or absence in their home of various consumer durables (e.g., cars, electric appliances).

and incontinent primates. Late in the campaign, when he tried to mollify voter fears, his credibility was thin. It is not surprising, then, that even though Vargas Llosa tried to communicate the message that his program would impose equal pain and provide universal benefits over the long run, that message was interpreted by Peruvians of modest means as a piece of elite ideology. In one postelection poll, 46% of lower-class respondents who had voted against Vargas Llosa said they had opposed him because he "represented the interests of the rich."<sup>2</sup>

Poor and working-class Peruvians were skeptical of Vargas Llosa's intertemporal rhetoric because it was hard for them to believe that the costs of liberal reforms would in fact be borne fairly. The intertemporal framing ignores distributional issues, claiming simply that we will all suffer now and prosper later. The concentration of income and wealth in Peru may have in itself made the intertemporal rhetoric hard to believe. Unlike postcommunist Eastern Europe, Peru is a society of extreme concentrations of wealth and income (Gini index in 1986 = .43). Some evidence points toward a growing concentration of income in the 1980s: The wage share of national income fell, but the share accounted for by gross profits rose (Pastor, 1992). And the proportion of Peruvians living in extreme poverty rose from 17% to 44% during the García hyperinflation. Poor Peruvians had lived through several stabilization programs in recent memory, most of them without the redistributive features of the early García program. The most recent government of a conservative party, Belaúnde's, would have left a memory of failed stabilizations and the beginning of the crisis. Indeed, Vargas Llosa's association with Belaúnde and his Acción Popular party was a liability in the campaign.

Poor voters in the cities and the countryside in search of a presidential candidate turned elsewhere. During the final month before the first round of the election in April, they turned increasingly to Alberto Fujimori, a man so obscure at the outset of the campaign that it would have been hard to have described him even as a dark-horse candidate. Fujimori's campaign stressed all the themes that Vargas Llosa's campaign rejected: a gradual approach to inflation stabilization, collective and public agreements to limit price and wage increases, efficient state intervention in select economic activities, and, above all, "*el antishock*"—no drastic fiscal adjustment via large, surprise price increases. Fujimori's rhetoric secured him a position in voters' minds close to that occupied by successful Center-Left and Left candidates in the 1980s. But his image as an "engineer" whose motto was "technology,

2. This was the response of the two lowest socioeconomic groups to Apoyo's June 1990 poll of 300 Lima residents. Sixteen percent opposed Vargas Llosa because they "didn't trust him or didn't like him," 17% "because of his right-wing ideas," and 5% for "other reasons."

honesty, work" was in stark contrast to that of Alan García, whose unpredictability had won him the epithet "the clutch" (*embrague*). Fujimori's positioning yielded rich rewards in the election: He came in a strong second to the vastly better funded and better known Vargas Llosa in the first round. With the support of APRA and the Left, Fujimori won the run-off in June.

Conflict over stabilization policy was not the only feature of the 1990 campaign. The class and ethnic image of the candidates, particularly of Vargas Llosa and Fujimori, undoubtedly also sharply distinguished them in voters' minds (although I am unaware of any polling data regarding the ethnic character of the candidates). We should avoid facile formulations, however, such as that Fujimori won the election because more voters identified with a *chino* and man of the people than with a wealthy white man of international stature. A simple identity explanation fails on several grounds. In the recent past, Peruvians had elected presidents who were more European and aristocratic than their opponents: Belaúnde over APRA's Armando Villanueva in 1980 and Alan García over the Left's Alfonso Barrantes in 1985. The perceived ethnic and class identity of candidates must count for something, but it is one factor among many. More important, it is a mistake to think of identity voting as purely expressive rather than also instrumental. It should be clear from the foregoing discussion that voters did not know exactly what they were getting in Alberto Fujimori; undoubtedly, they used his non-European background and man-of-the-people image as a way of guessing what he would do in office. Thus his policy positions and his class and ethnic image were mutually reinforcing: Voters undoubtedly believed that he was a man of the people because he eschewed what were seen as antipoor policies, and they believed that he would act to protect the poor because he was a man of the people. We shall see later that this image or identity may have temporarily mollified the lower classes when he abandoned his gradualist orientation once in office.

### FUJIMORI THE NEOLIBERAL

Fujimori's path to economic stabilization and reform diverged sharply from the one advocated in his campaign and followed closely the one advocated by Vargas Llosa (see Stokes, 1995). His first move indicating to the mass public that he was changing course was a fiscal adjustment with spectacular price increases; the monthly inflation rate in August 1990 jumped to 400%. This measure was followed in subsequent months and years by a wide range of reforms, many of them proposed by Vargas Llosa in his campaign: exchange rate unification and liberalization, reduction and sim-

plification of tariffs on imports, elimination of tariffs on exports, capital market liberalization, tax reform, reduction of employment in government ministries, 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. Gone was any notion of policy implementation through "concertation" or negotiations with the representatives of labor and business. In fact, Fujimori frequently bypassed even the legislature, using constitutional decree powers to enact reforms.

In making his initial policy shift, Fujimori was in the unenviable position of mandating extremely painful measures, already difficult for any politician, that he had excoriated during the campaign when his opponent proposed them. If he was to follow the policy prescriptions of Vargas Llosa, at least he would have to justify his actions differently. Voters had not bought the intertemporal framing when Vargas Llosa had tried to sell it; hearing it now from Fujimori would only have strained the new president's credibility even further. And indeed his credibility was questioned: After the price adjustments were announced, the word on the street was that "he stuck us with a yuca," a metaphor of violation equivalent to "we have been had."

With the intertemporal framing rendered unavailable because of its association with his conservative opponent, and because of the incredulity with which it was met in this socially divided society, Fujimori turned instead to an antidotal rhetoric. Both he and his finance minister, Juan Carlos Hurtado Miller, blamed mismanagement and corruption by the out-going García administration, an excuse that held the further advantage of suggesting that Fujimori's switch was induced by new information about the state of the treasury, information unavailable to him during the campaign.<sup>3</sup> How did the public respond to the switch and this rationalization of it?

The immediate effect of the unmandated fiscal adjustment was a reversal of Fujimori's popularity among social classes. A poll taken the day after the price adjustments were announced revealed that the president's approval among the poor (who had voted for him in large numbers) had dropped more than 30 percentage points, from 70% on August 1 to 38% on August 9, whereas among the rich his popularity had risen by 12 percentage points, from 48% to 60%. Approval of the new president, the man of the people, was suddenly higher among the rich than among the poor. This response is consistent with what we would expect given the prominence of the eco-

3. To the extent that new information in fact induced Fujimori's policy switch, it was not information about state finances but about the likely response of international financial institutions to various policy options facing him; see Stokes (1995).



conomic debate in the campaign. Poor people had voted for Fujimori as the proponent of gradualist, security-oriented reforms. When he turned against security-oriented policies early in his term, his constituents turned against him.

But the effect was short-lived. Within days, social classes were returning to their previous support levels; in particular, poor respondents appeared willing, once the initial surprise had subsided, to believe Fujimori's claim that mismanagement and corruption by the previous García government made fiscal adjustment unavoidable. Among all respondents who had voted for Fujimori, 63% believed "he did not plan a shock but once in office found no alternative," 27% that "he tricked the people when he said 'no shock.' " (The corresponding figures among Vargas Llosa supporters were 29% and 69%; Apoyo, 1990.) Although we have no hard evidence, it may well be that Fujimori's image as the non-European man of the people enhanced the credibility of his claims and bought him time among the working-classes.

## PUBLIC OPINION OF THE ECONOMIC PROGRAM

Monthly polls allow us to estimate the effect of economic conditions and political events on Lima public opinion of the economic reform program and the president over most of his first term (1990-1995). Apoyo, a respected public opinion and market research firm, conducted monthly polls in Greater Lima asking a random sample of respondents a series of questions concerning public affairs, including whether they approved or disapproved of the economic program and of the performance of the president. Figure 1 shows approval ratings of the economic program from September 1990, the first month Apoyo asked respondents' views of the reforms, until January 1995. The figure also shows approval of the president. Approval of the program was volatile during the first 18 months of the Fujimori government, ranging from 31% to 65%. The average monthly variation between September 1990 and May 1992 was 8.4 points. Thereafter, average monthly variation fell to 4 points. Approval ratings of the program began at a moderately high level (59%), then trended downward during the government's first year. During the first 6 months of 1991, approval of the program remained generally in the 30% to 40% range. An upward trend began in October 1991, when a conflict of powers heated up between the president and congress. The conflict culminated in the April 1992 coup d'état, when president Fujimori, with military backing, closed congress and suspended the constitution; the portion of respondents approving of the economic program reached its high point of 65% just after the coup. In the postcoup period, support for the program

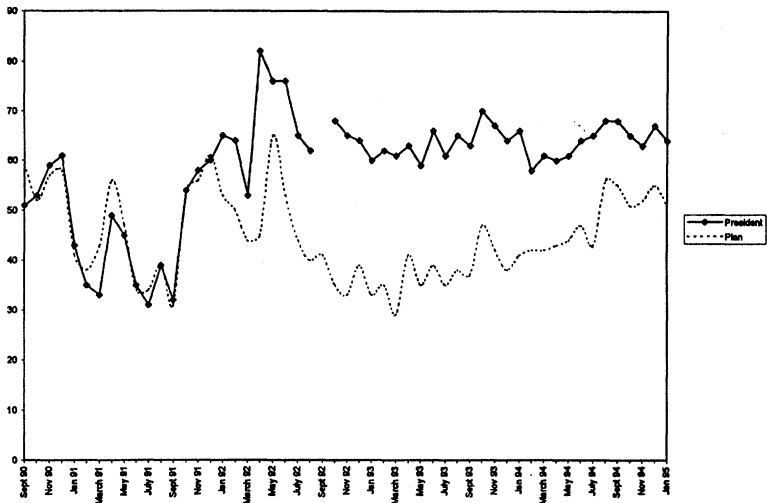


Figure 1. Approval of president and program, July 1990 to January 1995.  
Source. Apoyo, 1990.

languished; only in the second half of 1994 did approval rise noticeably, exceeding 50% in late 1994 and early 1995.

*Economic conditions and opinions of the program.* Multinomial logit allows us to estimate the impact of economic conditions and political events on opinions of the program. Let us look first at the effect of economic conditions, presented in Table 2. The impact of inflation was consistent with normal economic voting: Rising inflation reduced the likelihood of approval and increased the likelihood of disapproval of the program. Inflation also tended to increase uncertainty ("no opinion") about the program. The effect of employment was also consistent with normal voting. When employment fell, respondents were less likely to approve and more likely to disapprove of the program. The effect of real wages on opinions of the economic program is inconsistent with expectations derived from the economic voting literature. When real wages rose, respondents made up their mind about the program, and the likelihood of approval fell and of disapproval rose. This result was robust across models with diverse specifications.<sup>4</sup>

4. Logit provides no simple test for autocorrelation. To explore this problem, I estimated the impact of the prior month's approval of the economic program. The variable (Approval  $t-1$ ) had no significant impact on approval. I repeated this procedure with the dependent variable of opinions of the president, with the same results.

Table 2

*Multinomial Logit Estimates of Opinions of the Economic Program<sup>a</sup>*

Variable	Coefficient	SE	t-Ratio	Prob  t  ≥ x
<b>Approve</b>				
Constant	-0.48825	0.6117E-01	-7.982	0.00000
Real wages <sup>b</sup>	-0.13282E-02	0.4100E-03	-3.239	0.00120
Inflation <sup>c</sup>	-0.92538E-02	0.1148E-02	-8.059	0.00000
Employment <sup>d</sup>	0.87096E-02	0.6658E-03	13.082	0.00000
COUP <sup>e</sup>	0.20610	0.2364E-01	8.718	0.00000
TWOCOUP <sup>f</sup>	0.86330E-01	0.2256E-01	3.827	0.00013
THREECOUP <sup>g</sup>	0.28874E-02	0.2241E-01	0.129	0.89750
<b>Disapprove</b>				
Constant	0.51037	0.6113E-01	8.350	0.00000
Real wages	0.18489E-02	0.4117E-03	4.491	0.00001
Inflation	0.77003E-02	0.1111E-02	6.929	0.00000
Employment	-0.79540E-02	0.6533E-03	-12.176	0.00000
COUP	-0.14815	0.2578E-01	-5.748	0.00000
TWOCOUP	-0.29435E-01	0.2316E-01	-1.271	0.20370
THREECOUP	0.10224E-01	0.2219E-01	0.461	0.64494
<b>Don't Know</b>				
Constant	-0.22125E-01	0.4576E-01	-0.483	0.62876
Real wages	-0.52069E-03	0.2973E-03	-1.751	0.07992
Inflation	0.15534E-02	0.8174E-03	1.900	0.05737
Employment	-0.75558E-03	0.5014E-03	-1.507	0.13181
COUP	-0.57952E-01	0.2106E-01	-2.751	0.00594
TWOCOUP	-0.56895E-01	0.1982E-01	-2.871	0.00410
THREECOUP	-0.13111E-01	0.1722E-01	-0.761	0.44638

a. As a function of economic variables and coup. Partial effects evaluated at the means of the independent variables, with standard errors corrected for sample size (monthly data, 41 observations).

b. Real wages (lagged 1 month): index of wages in Lima, 100 = av. 7/89-6/90. *Source.* Instituto Nacional de Estadística e Informática.

c. Variation in monthly consumer price index, lagged 1 month.

d. Employment is an index of the number of workers employed in firms employing 100 workers or more, 100 = 1979. *Source.* INEI.

e. COUP is a dummy variable with a value of 1 for the first observation following the April 1992 coup d'état, 0 otherwise.

f. TWOCOUP is a dummy variable with a value of 1 for the second observation after the coup, 0 otherwise.

g. THREECOUP is a dummy variable with a value of 1 for the third observation after the coup, 0 otherwise.

*Source.* Instituto Nacional de Estadística e Informática.

Let us consider further the impact of real wages on the public posture toward reforms. Apoyo polls periodically asked, "Will the economy improve, stay the same, or get worse six months from now?" Responses allow us to

Table 3  
*Multinomial Logit Estimates of Predictions of Future of Economy<sup>a</sup>*

Variable	Coefficient	SE	t-Ratio	Prob  t  ≥ x
<b>Will Improve</b>				
Constant	-0.46867	0.1269	-3.692	0.00022
Real wages	-0.11103E-02	0.7298E-03	-1.521	0.12817
Inflation	-0.56637E-01	0.5200E-02	-10.891	0.00000
Employment	0.10202E-01	0.1528E-02	6.679	0.00000
Coup	-0.56353E-01	0.2202E-01	-2.559	0.01051
<b>Will Remain the Same</b>				
Constant	0.32170	0.1296	2.482	0.01305
Real wages	-0.18534E-02	0.7567E-03	-2.449	0.01431
Inflation	0.14069E-01	0.5035E-02	2.795	0.00520
Employment	-0.19374E-02	0.1521E-02	-1.273	0.20288
Coup	0.27997E-01	0.2234E-01	1.253	0.21022
<b>Will Get Worse</b>				
Constant	0.11866	0.1156	1.027	0.30463
Real wages	0.37836E-02	0.7026E-03	5.385	0.00000
Inflation	0.37628E-01	0.4635E-02	8.118	0.00000
Employment	-0.78908E-02	0.1411E-02	-5.591	0.00000
Coup	-0.29540E-01	0.2232E-01	-1.323	0.18576
<b>No Opinion</b>				
Constant	0.28316E-01	0.1117	0.253	0.79991
Real wages	-0.81992E-03	0.6496E-03	-1.262	0.20688
Inflation	0.49404E-02	0.4448E-02	1.111	0.26664
Employment	-0.37431E-03	0.1321E-02	-0.283	0.77695
Coup	0.57896E-01	0.1786E-01	3.242	0.00119

a. As a function of economic variables and coup. Partial effects evaluated at the means of the independent variables, with standard errors corrected by sample size (monthly data, 17 observations).

gauge what inferences about the future respondents drew from current conditions. Table 3 shows that rising wages induced pessimism about the future: When wages rose, Limeños were less likely to infer that the economy would improve (not significant) or stay the same (significant) and more likely to think the economy would worsen (significant).<sup>5</sup> The result is indeed

5. The first time after the April 1992 coup d'état that a question about the future state of the economy was asked was June 1992. We do not know whether, in the midst of the immediate postcoup euphoria, respondents would have predicted economic improvement. By June, the negative international response to the coup was well known in Lima, which may explain Limeños' uncertainty about the future of the economy after June 1992. The coefficient on the coup variable is negative and significant for "improve," negative and significant for "worse," and positive and significant for "no opinion." It is noteworthy that despite this uncertainty, the coup made respondents more likely to support the government's economic program and, as we shall see, the president.

consistent with an intertemporal posture: Limeños believed, at least regarding wages, that short-run improvement would come at the cost of long-run decline. Therefore, because rising wages indicated worse times ahead, they turned against the program. And yet we find no indication that a general intertemporal mind-set suffused their thinking; their response to unemployment and inflation was consistent with normal economic voting.

Their intertemporal posture regarding wages may have reflected a causal link that respondents drew between rising wages and inflation: Rising wages threatened a new bout of hyperinflation in the future, which inflation-weary Limeños wished to avoid even at the cost of stagnant or falling wages in the present. The salience of the presumed connection between rising wages and inflation would have been great because the only period of wage expansion in the prior 20 years—the early García years—was followed by inflation of historic proportions. Of course the García hyperinflation had several causes, of which wage expansion was just one. But the view that it was the principal one was reinforced by politicians, academics, and parts of the press. Hence direct past experience of economic changes, combined with elite glosses on those changes, instilled an intertemporal posture among voters toward real wage growth.<sup>6</sup>

*Political events.* Inspection of the time series in Figure 1 suggests that political events, in particular the April 1992 coup d'état, caused a sharp rise in the popularity of the program. The model in Table 2 confirms this impression. The model includes three dummy variables: "Coupe" has the value of 1 for the first observation after the coup (May 1992), "twocoupe" for the second observation after the coup (June), and "threecoupe" for the third (July). The coup produced a significant rise in approval of the program in the first 2 months, but the effect had dissipated by the third month. Thus, in the euphoria after the coup, Limeños were more likely to hold opinions of the economic program, and those opinions were likely to be favorable. But the effect was ephemeral. (Another notable political event was the September

6. Another explanation for the curious impact of wages, suggested to me by John Sheahan (personal communication, September, 1995), is that the variable *wages* is relevant only to a relatively privileged group of workers with stable jobs in the modern sector of the economy. Interpersonal comparisons might have led less-advantaged poor people in the informal sector to turn against the program when they observed formal-sector wages rising and support it when they saw formal-sector wages falling. The Apoyo survey data do not allow us to distinguish responses of formal- and informal-sector workers. Still, the fact that falling wages were associated with greater confidence about the future, and rising wages with falling confidence, argues more strongly for the interpretation I offer: that recent experience under the García government forged a connection in people's minds between present wage expansion and future inflation.

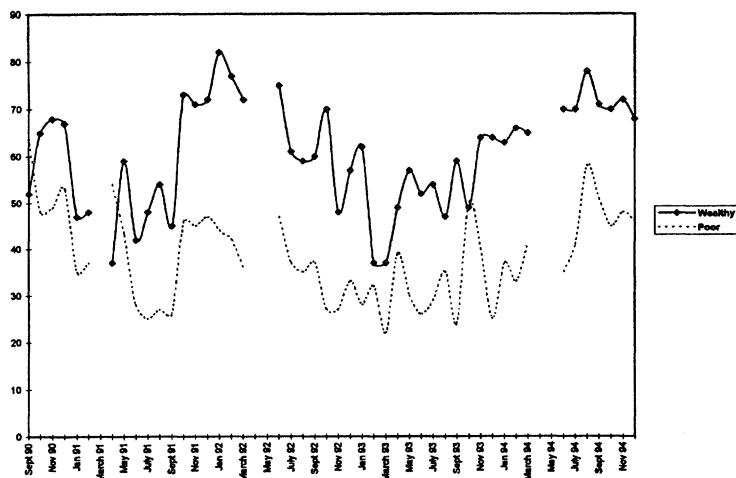


Figure 2. Approval of program, wealthy and poor respondents

Source. Apoyo.

1992 capture of Abimael Guzmán, leader of the Sendero Luminoso guerrilla movements. A separate model, not shown, found that the capture of Guzmán had a brief and small upward impact on presidential approval but no effect on approval of the economic program.)

*Social class and opinions of the program.* Figure 2 reveals starkly different approval levels among the rich and the poor. The dark line is the percentage of wealthiest (sector A) respondents who approved of the program, the light line that of the poorest (sector D). With the exception of the first month and two later months, the proportion approving was always lower among the poor than among the wealthy. Approval of the program among the poor suffered a net loss of  $-18\%$  over our period; the corresponding change was  $+16\%$  among the wealthy. On average,  $37\%$  of the wealthy, but only  $18.5\%$  of the poor, approved of the program each month.

Table 4 estimates the impact of economic conditions and the coup on approval among the four socioeconomic strata separately. It shows that levels of support declined with class: y-intercepts on approval average  $+32$  among the two wealthiest sectors,  $-.52$  among the two poorest. The effects of inflation and employment were uniform across social classes: When economic conditions deteriorated (employment fell or inflation rose), all classes turned against the program. The lower classes, however, were more sensitive

Table 4

*Multinomial Logit Estimates of Approval of Economic Program, by Social Sectors<sup>a</sup>*

Variable	Coefficient	SE	t-Ratio	Prob  t  ≥ x
Sector A				
Constant	-0.24080	0.6296E-01	-3.825	0.00013
Real wages	-0.44466E-03	0.4158E-03	-1.070	0.28484
Inflation	-0.13496E-01	0.1132E-02	-11.921	0.00000
Employment	0.69582E-02	0.6693E-03	10.396	0.00000
Coup	0.15406	0.2570E-01	5.994	0.00000
Sector B				
Constant	-0.40033	0.6374E-01	-6.281	0.00000
Real wages	-0.26594E-03	0.4243E-03	-0.627	0.53081
Inflation	-0.10440E-01	0.1160E-02	-8.997	0.00000
Employment	0.73902E-02	0.6802E-03	10.865	0.00000
Coup	0.14113	0.2475E-01	5.702	0.00000
Sector C				
Constant	-0.62999	0.6332E-01	-9.949	0.00000
Real wages	-0.17650E-02	0.4220E-03	-4.182	0.00003
Inflation	-0.11536E-01	0.1162E-02	-9.927	0.00000
Employment	0.11095E-01	0.6881E-03	16.124	0.00000
Coup	0.51690E-01	0.2260E-01	2.288	0.02216
Sector D				
Constant	-0.40945	0.6077E-01	-6.738	0.00000
Real wages	-0.18933E-02	0.4046E-03	-4.680	0.00000
Inflation	-0.74147E-02	0.1113E-02	-6.661	0.00000
Employment	0.75673E-02	0.6533E-03	11.583	0.00000
Coup	0.92499E-01	0.2130E-01	4.343	0.00001

a. Partial effects evaluated at the means of the independent variables, with standard errors corrected by sample size (monthly data).

to changes in real wages; among all four sectors, the sign on the coefficient was negative, but coefficients were insignificant among the wealthier two sectors. If Limeños' response to changes in real wages diverged from normal economic voting, it was the poor who drove this response.

To summarize, the Peruvian government's surprise implementation of an unmandated (or countermandated) radical promarket program caused elation among the constituents of the new president's former opponent and dismay among the president's own constituents. But only weeks later, by mid-August, the dismay had worn off as the poor accepted their president's explanation and even mustered some enthusiasm for his economic program. Indeed, by September, proportionally more poor than wealthy respondents supported the program. But this situation also did not last. After the first year, a gap opened

and the rich became the program's chief supporters. They remained so throughout. Fujimori's own electoral constituents, the poor and working classes, had not been prepared in the campaign to view setbacks as an indication of better times ahead and were unlikely to feel confident that the hard times were being suffered by all; the notion that not the government but someone else was responsible for hardships worked at first but soon wore thin. Hence they turned against the program when times turned hard. Indeed, approval of the program among the poor rose above 50% only six times out of 47 observations between 1990 and 1995. The exception to the normal pattern was an intertemporal effect regarding wages: Rising real wages were seen as signalling bad times ahead. The intertemporal effect became increasingly pronounced as we moved down the class structure.

### **PUBLIC OPINION OF THE PRESIDENT**

If public approval of the Fujimori economic reforms responded normally to inflation and employment and intertemporally to wages, what were the dynamics of approval of the president himself? Each month Apoyo polls asked respondents, "Do you approve or disapprove of the performance of President Alberto Fujimori?" Responses over time are displayed in Figure 1. Presidential approval was highly volatile and trended downward during Fujimori's first year in office, ranging from 61% to 31%. Approval recovered after October 1991, surged after the April 1992 coup d'état, and hovered around 60% thereafter. The pre- and postcoup periods display very different patterns of presidential approval, both in the level of support and in stability over time. On average, 49% of respondents approved of the president's performance before the coup, with a standard deviation of 11; on average, 65% approved of the president after the coup, with a standard deviation of 5.

The effect of economic conditions on opinions of the president was similar to their effect on opinions of the economic reform program (compare Tables 5 and 2). The impact of inflation on opinions of the president was normal, of wages intertemporal (both significant). But presidential approval was also negatively associated with employment (significant). Falling employment tended to make respondents pessimistic about the future (see Table 4). Hence it is possible that the public had an antidotal posture when it came to employment, becoming pessimistic when jobs were lost but blaming the opponents of change and exonerating the government. But the sign on employment may in fact simply reflect that presidential approval grew over time while employment fell steadily. When employment is replaced with a time-trend



Table 5

*Multinomial Logit Estimates of Opinions of the President<sup>a</sup>*

Variable	Coefficient	SE	t-Ratio	Prob  t  ≥ x
<b>Approve</b>				
Constant	1.1513	0.6514E-01	17.675	0.00000
Real wages	-0.27056E-02	0.4124E-03	-6.560	0.00000
Inflation	-0.94790E-02	0.1150E-02	-8.241	0.00000
Employment	-0.73749E-02	0.6679E-03	-11.042	0.00000
COUP	0.20098	0.2616E-01	7.682	0.00000
TWOCOUP	0.21709	0.2657E-01	8.171	0.00000
<b>Disapprove</b>				
Constant	-0.95007	0.5884E-01	-16.146	0.00000
Real wages	0.29462E-02	0.3736E-03	7.886	0.00000
Inflation	0.85128E-02	0.9744E-03	8.736	0.00000
Employment	0.64713E-02	0.6001E-03	10.783	0.00000
COUP	-0.15251	0.2591E-01	-5.886	0.00000
TWOCOUP	-0.19918	0.2714E-01	-7.338	0.00000
<b>No Opinion</b>				
Constant	-0.20123	0.4740E-01	-4.245	0.00002
Real wages	-0.24059E-03	0.2725E-03	-0.883	0.37727
Inflation	0.96616E-03	0.7567E-03	1.277	0.20169
Employment	0.90366E-03	0.4614E-03	1.959	0.05016
COUP	-0.48475E-01	0.1930E-01	-2.512	0.01200
TWOCOUP	-0.17910E-01	0.1758E-01	-1.019	0.30841

*Note.* For an explanation of independent variables, see note to Table 2.

a. As a function of economic variables and coup. Partial effects evaluated at the means of the independent variables, with standard errors corrected for sample size (monthly data, 45 observations).

variable in the model in Table 5, time is positively and significantly associated with presidential approval.<sup>7</sup> Finally, presidential approval, like approval of the economic program, was boosted significantly by the coup; the boost remained and in fact even grew in the second month after the coup. (Separate analysis by socioeconomic strata showed no class effects.)

Feasible, generalized least-squares models, presented in Table 6, examine the structure of coefficients of the independent variables, taking into account the joint endogeneity of support for the president and the economic program. The dependent variable in the model reported in the upper panel is the ratio of those approving to those disapproving of the president, in the lower panel the ratio of those approving to those disapproving of the economic program. The Wald statistic indicates that the coefficients are indeed the same.

7. The correlation coefficient for employment and time is  $-.98$ , indicating that the two are collinear; their effect on approval cannot be simultaneously estimated in a single model.

Table 6

*Feasible, Generalized Least-Squares Estimates of "Approve" to "Disapprove" of the President and the Economic Program<sup>a</sup>*

Variable	Coefficient	SE	t-Ratio	Prob  t  ≥ x
Approve/Disapprove of President				
Constant	7.9115	2.377	3.329	0.00087
Real wages	-0.17434E-01	0.1627E-01	-1.072	0.28377
Inflation	-0.66161E-01	0.1945E-01	-3.402	0.00067
Employment	-0.44994E-01	0.2015E-01	-2.233	0.02557
Coup	4.1545	0.6436	6.455	0.00000
R <sup>2</sup> = 0.5863938E+00		Adjusted R <sup>2</sup> = 0.5404376E+00		
Durbin-Watson Stat. = 1.9672516		Autocorrelation = 0.0163742		
Wald test: Chi-squared (1) = 0.2591, Prob = 0.61073				
Approve/Disapprove of Program				
Constant	-2.2430	1.350	-1.661	0.09669
Real wages	-0.11408E-01	0.8764E-02	-1.302	0.19302
Inflation	-0.66161E-01	0.1945E-01	-3.402	0.00067
Employment	0.56723E-01	0.1324E-01	4.285	0.00002
Coup	0.71007	0.2961	2.398	0.01647
R <sup>2</sup> = 0.4941486E+00		Adjusted R <sup>2</sup> = 0.4379429E+00		
Durbin-Watson Stat. = 1.9955662		Autocorrelation = 0.0022169		
Wald test: Chi-squared (1) = 0.2591, Prob = 0.61073				

a. Monthly data, 41 observations.

We see that the constant of support for the president was much higher than for the program. Wages play no role in determining support for either. The impact of inflation is identical in the two models and consistent with a normal response: When inflation rises, support for both president and program drops. Declining employment erodes support for the economic program but appears to boost support for the president; the caveat of collinearity between employment and time should be kept in mind. The coup increased the president's popularity by 4.16 points and that of the program by a mere .71 points.

## CONCLUSIONS

The Fujimori government faced the common dilemma of governments embarking on reforms that will cause at least temporary hardships. Fujimori's dilemma was all the more acute because his campaign had underscored the hardships of rapid promarket reforms. Even though the economy did contract through the first 3½ years of his term, his popularity proved resilient; during

the last 3 years, his approval rating rarely dipped below 60%, and he won reelection by a landslide in April 1995. Strong economic growth in the last 1½ years of the term is part of the story of Fujimori's success in 1995. But his popularity predated the recovery by more than a year, and the recovery failed to reverse the decline in employment and falling wages among the lower strata. This article has shed light on how Fujimori accomplished the feat of surviving despite hardships that were in part induced by reforms.

We saw some evidence of intertemporal thinking in the way Limeños drew from current economic conditions to predict the future. Their posture was intertemporal regarding real wages, probably because they remembered the García period, when strong real wage growth was followed by hyperinflation; therefore they drew a causal connection between wage increases and inflation. But the intertemporal posture did not extend to all aspects of economic change during the reform process. Regarding inflation and employment, their posture was consistent with normal economic voting: Bad times now signalled more bad times ahead, and the government was to blame.

An intertemporal posture was also visible early in Fujimori's term when poor Limeños supported the program in large numbers, despite staggering inflation rates and a real wage level less than half of the previous year's already low average. But the poor, like the rich, soon came to blame the economic program when times were bad (inflation rose or employment shrank) and attribute credit to it when times were good. For the most part, respondents from all classes drew the same lessons from the economy as they formulated their opinions of the economic program. Still, the poor were more likely to oppose the Fujimori government's economic program than the rich. This is not because the poor were more retrospective. If anything, they were more intertemporal than the wealthy, more likely to become pessimistic when wages grew and to turn against the program. The support gap between rich and poor may well reflect instead the distributive consequences of the program. Reduced employment and growing unemployment and underemployment were more a poor than a wealthy or middle-class person's problems. And the rich would have more savings and other resources to carry them through hard times.

Alberto Fujimori ran for president in 1990 as a man of the people against a candidate who embodied the views and styles of the Peruvian elite. The cool response of the poor to the government's economic program, the one advocated by Fujimori's opponent, makes their continued enthusiasm for Fujimori all the more puzzling. Only twice did approval of the program exceed its initial level of 59% among respondents of all classes, and only in the last half-year of the term did a majority of respondents consistently approve of the program. Had poll respondents been voters in monthly referendums on the economic program and had the program required majority support to

continue, it would have been killed in 37 out of 55 months. Why, then, did Fujimori's popularity survive whereas the popularity of his economic program did not?

Although the 1990 campaign approximated a referendum on alternative economic programs, Fujimori's presidential performance was judged *ex post* on different grounds from those defined by the prior election campaign. Economic policy was the cleavage that starkly separated the two major presidential candidates in 1990, and we might have expected after the campaign that Fujimori's term would be judged on his economic performance. But it was only partially so. Instead, an event occurred during the term that was unanticipated in the prior campaign but would enduringly color the president's image. The April 1992 coup d'état was an "extraordinary event" (Ostrom & Smith, 1992) that ratcheted the president's approval upward. Mere inspection of the time series of presidential approval in Figure 1 shows that the public made a sharp distinction between the Fujimori presidency before the coup and the Fujimori presidency after the coup. Limeños seem to have thirsted for a powerful authority at the center of a society in great turmoil; the coup turned Fujimori into just such an authority (see Carrión, 1994). In the 1990 campaign, both major (and indeed all minor) candidates had attempted implicitly to shape themselves as future powerful authorities in the public's eyes. Authority was not an explicit dimension of conflict in the campaign, and if it had been discussed explicitly, it would have been a "valence" issue that no candidate and no significant sector of public opinion opposed (see Campbell et al., 1963). Explicit or not, when Peruvians had thrust on them evidence that their president was creating order out of chaos, they rewarded him with approval ratings any chief executive would envy. Intertemporal politics played some part in shielding Fujimori's popularity against a painful, unpopular, and distributionally suspect economic program. But it was also the range and protean quality of standards by which governments are measured that shielded the popularity of Peru's president from hard times.

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