

more keenly than others, I believe, and will make continuous improvements. The LTES information leaves room for additional clarification of historical facts by excavating other source data and improving the method of inductive statistics.

The following comments are rather optimistic as opposed to the aforementioned relatively cautious statements. The LTES analysis has so far been conducted from the somewhat subjective viewpoint of the statistical compilers. The said Ohkawa-Rosovsky and Ohkawa-Minami coeditions are those representative works. However, the latent volume of information contained in a series of LTES publications can be more than what it expresses explicitly. In other words, there is an additional possibility that hidden aspects may be unveiled with regard to past economic developments in Japan through further studies by integrating the LTES data with other data on the contemporary period in Japan. For example, an enterprising project such as the creation of a long-term quantification model during the period from 1880 through 1940 could be made available by the application of this data. Also, a significant undertaking may be to take up a contemporary issue, such as the comparison of current and past status (nineteenth century through the early twentieth century) in the developing countries. It would also be possible to reassess the validity of many established views on Japan's modern history through the operation of the LTES information. In this connection, it is of course natural that we should proceed carefully with our work giving due attention to the particularity of these data.

In conclusion, the reviewer wishes to extend his heartfelt congratulations to Professor Ohkawa and other authors of this publication on the issue of the English editions which marks one of the memorable milestones in this grand project. (Takafusa Nakamura)

*The Political Economy of Peru, 1956-78: Economic Development and the Restructuring of Capital* by E. V. K. FitzGerald, Cambridge, Cambridge University Press, 1979, xi + 360 pp.

## I

As known widely, the Peruvian military regime of 1968 carried out numerous structural reforms such as the nationalization of key industries, the land reform, and the initiation of systems of worker participation. In particular, the role played by the state in the economic sphere increased remarkably. The unique "Peruvian experiment" which was aimed at overcoming dependency and developing an independent economy received much attention both domestically and abroad. However, as pointed out by A. Lowenthal, it also cannot be negated that this "experiment" which was "neither capitalism nor communism" (*ni capitalista ni comunista*) was an "ambiguous revolution" due to the nature of its complexity. In fact, this attempt became increasingly more ambiguous and chaotic following a change in the regime of the military ruling leadership in 1975. This was due to an economic crisis which was said to have been

unprecedented; the more orthodox policy of economic stabilization and the suppression of labor movements from 1977 onward; and the recent move regarding a transition to civilian rule.

This book systematizes the development of the Peruvian political economy from 1956 to 1978. Focus is placed especially upon a political analysis concerning the failure of the "experiment" which was the so-called "Peruvian Revolution." In 1976, the author, E. V. K. FitzGerald (Assistant Director of Development Studies, Faculty of Economics and Politics, University of Cambridge), published a book entitled *The State and Economic Development: Peru since 1968* (Cambridge University Press) which characterized this "experiment" with the use of the concept of an "intermediate regime" sketched by M. Kalecki. FitzGerald's interest thereafter until the publication of the present book had extended broadly to the problems pertaining to "the state and economic development" in Latin America.<sup>1</sup> In the present book, he also attempts to raise problems on "the role of the state in the restructuring of capital" as well as to advocate a comparative analytical approach towards the state and economic development of Latin American countries.

## II

The author points out dualism and dependency as being the two main contradictions confronting "the expansion of capitalism on the periphery of the world economy" (p. 13). He especially emphasizes the former as being the case with underdeveloped countries. Both phenomena have been typically exhibited by the Peruvian economy.

Concerning the dual structure, as was done in his 1976 study, the author describes structural distortions created by the export economy of primary products in the past with the use of such terminology as "corporate/non-corporate." The dual structure advocated by the author as his analytical concept is not synonymous with the commonly used concept of dual structure between modern industry and traditional agriculture. His concept is "dualism associated with the organization of production within each sector" (p. 91). Moreover, it is

...resulting in the existence of one sector made up of large capitalist corporations using imported capital-intensive technology and closely linked to the metropolitan economies through both trade and ownership, but which directly employs only a minority of the national workforce at comparatively high wage rates on the one hand; and another sector made up of small enterprises, firms or households using little capital or technology and absorbing the majority of the workforce at low levels of income on the other. (p. 19)

According to the author, such a dual structure not only determines the income gap existent in an underdeveloped country, but also strengthens her dependency and espe-

<sup>1</sup> In December 1976, an international conference with the same title as cited here was held under the leadership of FitzGerald and others. The proceedings were published as follows: E. V. K. FitzGerald, E. Floto, and A. D. Lehmann, eds., *The State and Economic Development in Latin America* (Cambridge: Centre of Latin American Studies, University of Cambridge, 1977).

cially hinders sustained development of peripheral capitalism. The author thus reveals the concept of "the restructuring of capital" as a means of achieving economic development in order for the underdeveloped nations (which are characterized by such dualism and dependency) to rise and to transform their economies to those whose main dynamism is provided by industry. This restructuring involves the establishment of "a new model of accumulation" through the following: (i) a shift of the pattern of production towards manufacturing, (ii) the rearrangement of ownership and organizational systems, and (iii) the reallocation of surplus. In the case of the Third World nations such as Peru where the domestic bourgeoisie is too weak to promote national capitalism due to the penetration of foreign capital, the author maintains, the state itself must assume "the historic task" of pursuing this process in the development of capitalism.

In this regard, the author pays attention to authoritarianism and state capitalism both of which are becoming apparent recently in peripheral capitalist nations. He points out firstly that under the rule of authoritarianism, "understood in the general sense of the control of society from above through the state apparatus, . . . the large bureaucratic and military establishment . . . gains *its own momentum and autonomy*" (italics added) (p. 36). In accordance with the theory of James Petras,<sup>2</sup> the author thus grasps the establishment of state capitalism as a political economic project undertaken by the "national-state-bureaucratic" class. In this case, state capitalism is defined as "a district variant on the capitalist mode of production: the coordination of state enterprise, cooperatives and large private firms from the centre, maintaining wage relations at the enterprise level but centralizing the accumulation of capital and production decisions" (p. 59).

On the other hand, the author points out essential inconsistencies uniquely existent in the model of state capitalism. In other words, the more effective this political economic project becomes, the more incompatible it becomes with the bourgeoisie (domestic or foreign), and thus the state is forced to establish its independent political base. Growing state control of the production process, nevertheless, internalizes social conflict within the public sector. As a result of this, it becomes inevitable that the government is brought into direct confrontation with the working class upon which this project should be intrinsically based. However, should the public sector continue to require foreign technology and capital, the government will possibly be forced into cooperation with the multinationals and international finance. Consequently, "the economic nature of state capitalism may be logically expected to weaken its independent political base, and thus reduce the relative autonomy required for the restructuring of capital" (p. 38).

### III

The author rearranges the three attempts on "the restructuring of capital" which were pursued in Peru in the past twenty years. Two of these which were carried out prior to 1968 were as follows: firstly, the project of the "oligarchy" made up of an alliance

<sup>2</sup> James Petras, "State Capitalism and the Third World," *Development and Change*, Vol. 8, No. 1 (January 1977).

between foreign capital and the domestic financial elite: laissez-faire liberalism under the Prado regime (1956–62), and secondly, the protected economy project by the “middle class”: gradualist reformism under the Belaunde regime (1963–68). Both attempts are considered to have failed due to such reasons as a weak political base.

The third was the experiment attempted for ten years by the military regime. This attempt pursued by the military bureaucrats who possessed high political autonomy reacted to such critical situations as the decline in accumulation by the private sector and an increasing monopolization by foreign capital which became apparent in the 1960s. They thus tried to restructure capital through widespread ownership reforms, worker participation, or through strong state investment on the basis of a planned economy. According to the author, however, their effort toward restructuring which was based upon what he calls “the state capitalist model” resulted in failure due to serious economic disequilibrium derived from insufficient control over surplus. The cause of the failure, as far as the author is concerned, derives from the aforementioned “essential inconsistencies” and “ambiguity” inherent in the model.

The first reason for the failure was that, compounded by the continuation and reinforcement of a mining and industrial growth model, the reorganization of ownership and production affected only the corporate sector. Owing to the aforementioned nature of the corporate sector, while this sector was constantly being consolidated by the world market, it lacked unity with other domestic economic sectors. The author thus states that although the reforms affected two-thirds of production, they left out two-thirds of the workforce (pp. 59–60). Consequently, the dual structure in the basic Peruvian economy was not only continued, but also strengthened. In addition, in view of the fact that indigenous technological development was neglected, dependency in this aspect was reinforced (p. 199). The second reason which is derived from the above reason is that the reforms could not result in a broad base of political support for the regime despite the fact that the military intervention broke the power of the grand bourgeoisie and constrained the activities of foreign capital. The class struggle was internalized in the public sector which was particularly expanded, because the labor relations continued to be of a traditional kind. The third is a problem of capital accumulation. According to the author, despite the fact that the state raised the investment rate remarkably, it was not due to the extraction of further surplus from the private sector, but rather due to the reliance upon external borrowing (p. 9). Consequently, external dependency in finance was further aggravated. He also points out that the definition of the role to be played by the domestic and foreign industrialists in the model was ambiguous. In other words, the capitalists became increasingly isolated because private capitalists whose support was required for the regime did not react positively to the governmental arrangements. This was also due to such attempts as Industrial Communities (*comunidad industrial*) for worker participation as well as to revolutionary rhetoric.

The author concludes that the continuing reliance upon foreign technology and finance in spite of the reduction of the influence exerted by the multinationals at the time of attempts to restructure capital fundamentally made the dual structure persist and created the central contradiction leading to the collapse of the state capitalist model.

## IV

The following are some comments regarding this book. It is probable to state that the author's analysis on "the Peruvian revolution" such as the failure to overcome the dual structure and the reinforced reliance upon foreign technology and finance is primarily based upon the 1976 study. However, he presents a keen analysis on the political base which supports "the revolution." Moreover, an analysis of the political and economic trend for 1975-78 which could not be done in the previous book is made. When there is a need for a "reconsideration" of "the Peruvian experiment" today, his deep analysis on each aspect will provide an invaluable reference. An analysis of the military in the public sector had been neglected in past studies. For example, the author points out that the decision made to build a pipeline over the Andes at great expense was based on strategic considerations of the military (p. 185). Furthermore, in the chapter dealing with economic policy, he discusses such an important fact as the military government having been able to continue to resist the pressure of the IMF and U.S. bankers when the stabilization program was carried out (p. 242).<sup>3</sup> He analyzes in further depth the reason for the failure such as the lack of governmental control and poor management. At the same time, he presents the achievements of "the experiment" such as the promotion of industrialization; the overcoming of external dependency in the structure of ownership; the change in the rural sector; the change in the political map (maturity in the class structure), which are evidenced by facts and thus make this book very well balanced.

The following are several moot points raised in accordance with the reviewer's interest:

The first point pertains to his state capitalist model. He holds a viewpoint that the state substituted a "national" bourgeoisie which did not exist in Peru before 1968 (p. 49). Fundamentally, the reviewer would agree with this point. However, the Valasco regime relied much upon the private sector for manufacturing, and as pointed out by J. S. Jaquette,<sup>4</sup> ultimately avoided intervening in the private sphere. This was due to the persistent liberal vision of man despite the revolutionary rhetoric. It can moreover be said that there arose situations where governmental corporations, cooperatives, and private corporations mutually competed against each other. Taking these factors into consideration, his argument is at times of an extreme nature. On the other hand, as recognized by the author, governmental policy was often contradictory, chaotic, and ambiguous. This seems to be the case largely because the military bureaucrats who included heterogeneous elements carried out the reforms and the policy ad hoc in the development of military politics rather than pursuing them as a result of a rational selection toward a certain "model" or an objective. By the same token, the

<sup>3</sup> In fact, in the chapter dealing with income distribution, he suggests that the range of estimates regarding income distribution made by R. Webb and A. Figueroa could be revised (pp. 134-35).

<sup>4</sup> Jane S. Jaquette, "Toward a Liberal Interpretation of the Peruvian Revolution," in *Terms of Conflict: Ideology in Latin American Politics*, ed. M.J. Blachman and Ronald G. Hellman (Philadelphia: Institute for the Study of the Human Issues, 1977).

military itself was supported by the corporate interests, and thus made extremely irrational decisions when viewed in terms of the entire national economy. In other words, it denotes that there was a possibility of abandoning the growth model based upon mining and industry. In this regard, therefore, this book's intrinsic limitation is that it is based upon synchronic structural analysis. The author, furthermore, compares Peruvian attempts at economic development with several "experiments" in other Latin American countries. Apart from a comparison with the Mexican case under the Cardenas regime, the rest of the comparison is so sporadic and isolated in various chapters that it lacks systematization. Nevertheless, the following passage is quoted here, in view of the fact that the author makes a conclusive statement having the Mexican and Brazilian examples in mind:

On the periphery of the world economy, successful capitalist industrialization . . . requires the freedom for domestic capital to work out its own compromise with manufacturing multinationals, supported rather than rivalled by the public sector, and with a labour force contained by a hegemonic state, itself underpinned either by the military or a strong party system. (pp. 300-301)

For the past two years, advanced researches have been made on modern Peruvian history,<sup>5</sup> and the significance of this book is, of course, great. In addition, books giving an economic analysis at the time of the revolution have been published in succession recently,<sup>6</sup> and this book should be read together with them. (Shigeo Osonoi)

<sup>5</sup> D. P. Werlich, *Peru: A Short History* (Carbondale: Southern Illinois University Press, 1978); R. Thorp and G. Bertram, *Peru, 1890-1977: Growth and Policy in an Open Economy* (London: Macmillan Press, 1978); J. Deniz, *La Revolución por la Fuerza Armada: Perú 1968-1977* (Salamanca: Ediciones Sigueme, 1978), etc.

<sup>6</sup> H. Cabieses and C. Otero, *Economía peruana: un ensayo de interpretación* (Lima: Desco, 1978); D. M. Schydrowsky and J. J. Wicht, *Anatomía de un Fracaso Económico: Perú, 1968-1978* (Lima: Centro de Investigación, Universidad del Pacífico, 1979); C. Amat y León Ch., *La Economía de la Crisis Peruana* (Lima: Fundación Friedrich Ebert, 1978); J. González, *Perú: Una Economía en Crisis: Interpretación y bases para una solución* (Lima: Centro de Investigación, Universidad del Pacífico, 1979).