

Andean Report by Valerie Rush

An economy grows in Peru

President Alan García is achieving what some would call an "economic miracle." He calls it moral economics.

On July 8, Peruvian Finance Minister Luis Alva Castro announced that the inflation rate in Peru had been reduced in six months from 163% to 60%, giving much-needed relief from the spiraling cost of living that prevailed under the previous Belaúnde government, and in the first months of García's regime.

Alva Castro also noted that in the first five months of 1986, industrial activity in Peru had grown by 11.6%, a figure made more impressive by the near-total collapse in industry in the rest of the continent. The gross national product grew in the first half of 1986 by 3.6% compared to the same period in 1985, while all of the basic productive sectors of the economy had grown as well: construction by 12.3%; electricity generation by 7.3%; manufacturing by 7.1%; trade by 4.4%, and the fish industry by a huge 61.2%!

The minister proudly added that "international reserves have increased, the economy has been de-dollarized, and employment has grown." He said that industrial employment had grown by 4.8%, while employment in the trade sector went up by 2.4% and in services by 1.9%.

Several days later, while inaugurating electricity works in rural Peru, Finance Minister Alva Castro explained that such projects were made possible by using the reserves which Peru is not paying either to the international creditor banks or to the International Monetary Fund, "to which the Peruvian government is the only one which has said that no more than 10% of its reserves would be allocated" for

foreign debt payment.

As García has repeatedly explained in his speeches, the economic achievements of his administration were made possible by imposing a moral framework upon economic decision-making. Asked by a Mexican interviewer on July 8 how he would link the successes of his government with his debt policy, García said:

"There is no single prescription, there is no program. What there must be is a social and moral purpose to government. . . . What has happened in Peru in the last few years, for example? The old theorists said, 'The best state is that which doesn't govern . . . which doesn't get involved in the economy. Leave the economy to its own laws, its own processes; there is the invisible hand of the economy.' Well, I say, there is a hand which hides in the economy, which is something else. . . . We say, a government which emanates from the will of the people must govern the economy.

"Some economists said: 'The President is crazy,' because they told me I must collect 10%, 12% interest. I said zero, *zero!* Because these people throughout history have been paying a tax to Lima, to the Spaniards, to Europe, to the rich, so, for these people *zero!* They borrow and don't pay taxes, paying back only the capital, not paying interest. Thus we will invest capital.

"In some countries, they have opted for . . . giving out food. . . . But look, nothing given for free is good, that the President should feel like he is giving alms to the people. . . . What

we want is to create jobs, even if it is simple work like cleaning the streets, painting walls. . . . The people want to earn their keep, and so we have created 60,000 jobs in Lima . . . because if the people don't have work, they become criminals, or subversives, desperate. . . ."

Alan García uses his speeches to school Peruvians in the science of political economy. At the opening of a new data bank at the Central Bank on July 15, he explained his philosophy on banking and credit: "The country requires that the banks become true financial agencies of investment and savings, reflecting the purposes of development, of social justice. . . ."

"The banks," he said, "should not merely be, as has occurred before with great economic calamities, kinds of financial funnels which orient public and national savings to the benefit of specific groups which, often and coincidentally, are the owners of the banks. Against this oligarchic conception of credit is the Aprista [ruling party] government, and we are going to battle this concept and this bad management . . . through effective regulation which gives the state the role of governor of economic development. . . ."

García concluded, "A state which does not indirectly or directly govern by regulating the allocation of credit or liquidity, is a state which does not govern."

On July 15 President García opened a new wing of the Lima Maternity Hospital with a stirring explanation of the need for more people: "Here many Peruvians should be born. If there is anything secret, religious, marvelous, it is the act of giving birth to life. Because we recognize in life the central focus of the spirit. . . . We know that with the birth of new human beings, a new society is born within us."