

CONTINUITY BY SURPRISE

Explaining Institutional Stability in Contemporary Peru

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Como un barco que sale a alta mar, encontrará tormentas, pero lo importante es la continuidad en el mando del Estado.

Ollanta Humala, Peruvian president

Abstract: In the first decade of the twenty-first century, Latin America experienced a so-called left turn that sought either to reform or eliminate the neoliberal institutions established during the 1980s and 1990s. However, although Peru has electoral, economic, and social processes similar to those of its neighbors, the neoliberal institutions established in Peru by the 1993 Constitution remain firmly in place. This article aims to understand the mechanisms sustaining Peru's neoliberal regime since its creation. Why have these institutions survived and grown in strength in a regional environment that has been hostile to neoliberal legacies? The article answers that question, emphasizing the evolution of the balance of power between the precarious Peruvian political class and the empowered technocrats and bureaucrats within the state. The reformist politicians are too weak and amateurish to challenge the technobureaucrats within the state. Moreover, the article analyzes the different strategies deployed by technocrats and bureaucrats in order to ensure the continuity and stability of the neoliberal regime and its policies. Theoretically, the article suggests that institutional stability can arise from a daily process gradually shaped by actors and their strategies.

During the 1980s and 1990s in Latin America, many presidents who campaigned as leftists unexpectedly became neoliberals once they reached office. Susan Stokes (2001) described such switching as “neoliberalism by surprise.” But a decade later, in much of Latin America, left-wing candidates had begun to govern as left-wing presidents attempting either to reform or eliminate what Ecuadorian president Rafael Correa called “*la larga noche neoliberal*,” and “Stokes’s paradox” vanished.¹ Nevertheless, one country, Peru, remains trapped in Stokes’s

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1. On the left turn see Cameron and Hershberg 2010; Weyland, Madrid, and Hunter 2010; and Levitsky and Roberts 2011.

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paradox despite going through electoral, economic, and social processes similar to its neighbors.

The neoliberal institutions established by the 1993 Peruvian constitution remain intact despite the fact that in the post-Fujimori era (2001–2013) a candidate openly defending the neoliberal structures has never won an election. That is the surprising continuity. In a country of traditionally weak institutions, the absence of surprises is the genuine surprise (Vergara 2012). Why have these institutions survived and grown in strength in an environment that elsewhere has been hostile to neoliberal legacies?

Peru's booming economy is one possible answer. Due to high international commodity prices, Peru enjoyed the fastest economic growth in South America during the last decade, doubling its gross domestic product (GDP) and reducing poverty by an impressive amount. No rational actor arriving in office, goes the argument, would dare to alter the institutional framework that creates such wealth (de Althaus 2011). However, this explanation is not fully satisfactory. Although acknowledging that growth is inseparable from political trends, the contemporary comparative literature has noted that booming economies and their increased revenues have elsewhere actually driven the left turn (Murillo, Oliveros, and Vaishnav 2011; Weyland 2009). Booming natural resources in Latin America have radicalized, not moderated, presidents elected as neoliberal challengers. Why do we not see this effect on antiestablishment politicians in Peru?

A second possible explanation could be the "enduring capture of the state" by Peruvian economic elites who rule indirectly from their seats in bank offices (Durand 2010). Without denying the existence of veto players in some parts of the Peruvian state, we argue that such a description overstates the direct control of the private sector. As Dargent (2015) argues, since the beginning of the 1990s Peruvian businessmen have been suspicious of a technocracy that was "too insulated" from their interests. Moreover, in recent years the state imposed several measures against the wishes of important private interests, indicating that such a description is inaccurate.² This business-community explanation obscures crucial political and institutional determinants behind Peru's stability.

A third possible explanation focuses on key political actors. According to Cameron (2011, 376), Peruvian president Alan García (2006–2011) "could have governed from the left, but he chose not to. . . . García embraced the neoliberal economic model." Although President Ollanta Humala does not seem to have embraced neoliberalism ideologically, he nevertheless has embraced it in practice. Since the neoliberal model has remained strong, there must be other factors beyond the individual agency of key actors. Moreover, two of the most recent three Peruvian presidents, Alejandro Toledo and Humala, were political outsiders. Humala especially was a fierce antiestablishment radical. The literature on the Latin American left suggests that such outsiders are crucial factors in the es-

2. For example, after the election of President Humala mining companies agreed to pay more than one billion dollars as an extra contribution; private pension companies had to reduce their commissions by 66 percent; and reforms in taxing capacity have been successful in increasing tax collection. Those are not the sort of reforms that we should see in a "kidnapped state."

establishment of radical policies to dismantle neoliberal structures (Kaufman 2011). Additionally, Peru lacks strong parties. According to many studies, political parties account for the main difference between the populist and the socialist lefts (Flores-Macías 2012). Functional party systems moderate polities (Brazil, Chile, Uruguay), while polities lacking them fall prey to caudillos aiming to establish plebiscitarian anti-neoliberal regimes (Bolivia, Venezuela, Ecuador). Yet despite a collapsed party system and antiestablishment outsiders, Peru remains firmly on the neoliberal track.

All these explanations are to some degree related to Peruvian continuity; yet this article seeks to emphasize the dynamic relationship between sets of pro-continuity and pro-change actors in Peru over time. We argue that actors within the state—technocrats and bureaucrats—have progressively gained power in the years since the 1993 Constitution, while politicians have dramatically lost it. This dynamic has evolved to the point where reformist politicians simply cannot control this new technobureaucratic cadre within the state, who have mastered the complexities of administrative procedures and ensure the survival of the neoliberal regime. This occurs for two reasons. First, the weak political class does not detect how technocrats and bureaucrats recurrently and silently shield the neoliberal regime against politicians. Second, when politicians do clash with bureaucrats, most of the time bureaucrats prevail. In Peru, we hear the echo of a recent diagnosis of American politics: “The center of the story is not elections but policy” (Hacker and Pierson 2010, 172). In order to show this gradual process, we highlight three main strategies used to shield and expand the neoliberal regime from within the state. Our research is based on twenty interviews with politicians, technocrats, and bureaucrats and on original data on the careers of ministers and main bureaucrats between 2000 and 2012. Explanations centered either on economics or on the direct control of economic elites drastically miss these political and institutional determinants of Peruvian stability.

SURPRISING INSTITUTIONAL STABILITY

In this article we deal with the stability of a neoliberal citizenship regime. Following Esping-Andersen (1999), we do not treat the neoliberal regime as a mere economic regime but as a broader way of structuring state, market, and citizenry (see also Streeck and Thelen 2005, 9–16).³ In contrast to corporatist and social-democratic regimes, neoliberalism’s prioritization of private activity to provide goods and services, the retreat of state activity, and the marginalization of social rights (Yashar 2005, 47–49) give way to “a significant change in the meaning of citizenship within the states” (Centeno and Cohen 2012, 325). As Centeno and Cohen (2012) state, neoliberalism may pervade different levels of analysis ranging from communities of experts and policies to culture and beliefs.

In the Peruvian case, we deal with the neoliberal regime embodied in the 1993 Constitution promoted by Fujimori’s administration, a constitution that came to

3. We must stress that we use “neoliberal” analytically, and not normatively.

substitute the old Keynesian or populist regimes and policies following World War II by stating in Article 60 that public participation in the economic sphere must be only subsidiary. This constitutional norm is the cornerstone of the neoliberal citizenship regime and its derived policies that have progressively taken root in Peru.⁴

Two decades later, the institution remains firmly in place. The survival and consolidation of the Peruvian regime is surprising for several reasons. First, it goes against the country's political tradition. Peru is a weakly institutionalized country where the rules usually change "radically and frequently" (Levitsky and Murillo 2009); constitutions accumulate endlessly, shifting from centralized to decentralized forms of government and swinging between authoritarianism and democracy; and law enforcement is ineffective or nonexistent. Second, from a comparative perspective, we are surprised to find stability in Peru, because despite sharing many of the main factors usually highlighted as drivers of backlash against neoliberalism (like strong antisystem politicians, party system collapse, and economic boom) the neoliberal regime remains intact. Finally, stability is surprising because there have been political moments when the institution could have been significantly reformed but was not. In 2000, neoliberalism resisted the humiliating collapse of Fujimori's administration. In 2006, Alan García and APRA (Alianza Popular Revolucionaria Americana) won the presidential election on a platform of "responsible change," criticizing the 1993 Constitution and the neoliberal model, especially the free trade agreement between Peru and the United States. And last but definitely not least, current president Ollanta Humala, the most antiestablishment figure in the past decade in Peruvian politics and repeatedly categorized as an anti-system and populist candidate, was elected on a platform deploying a bellicose rhetoric against neoliberalism (especially free trade agreements) and promising a *gran transformación* that included abolishing the 1993 Constitution to return to the *magna carta* of 1979.⁵ However, Humala as president would have been at home with the leaders of the 1980s and 1990s that Stokes identified. He has not mentioned the idea of altering, much less abolishing, the 1993 Constitution since taking office and has signed a major new free trade agreement with the European Union. Despite the fact that openly pro-continuity presidential candidates have never won an election, the neoliberal regime has survived and remains firmly in place. How can we explain this stability?

The literature usually conceptualizes institutional persistence in terms of long periods of stability punctuated by pathbreaking convulsive moments. Examples are the seminal theories about frozen party systems (Lipset and Rokkan 1967), the lasting effects of strategies of labor incorporation in mid-twentieth-century Latin America (Collier and Collier 1991), and the long-term consequences of early choices about federalism on state formation (Ziblatt 2006). These theories fit into a broader model of "punctuated equilibrium" in which "earlier parts of a sequence

4. We must also stress that we do not refer to the "political regime"—the rules that regulate access to power (Mazucca 2007).

5. Plan de Gobierno: 2011–2016, pp. 7, 34. See <http://e.elcomercio.pe/66/doc/plandegobiernogana-peru.pdf>.

matter much more than later parts" (Pierson 2000, 263). As a consequence, this approach tends to downplay what happens after these formative stages.

In contrast to this "punctuated" way of understanding institutional development there is another way that gives less relevance to the early stages or at least acknowledges that "the processes responsible for the genesis of an institution are different from the processes responsible for the reproduction of the institution" (Mahoney 2000, 512). Then, the endurance of an institution might be less the deterministic product of a critical juncture than the result of a slow process through which actors succeed in keeping the institution alive despite other actors who would like to reform or eliminate it (Weyland 2008). After all, the actors that launch an institution are not necessarily the ones that develop it (Streeck and Thelen 2005). Institutions take root and survive in a dynamic, gradual, and contingent process in which pro-change and pro-continuity actors constantly struggle (Mahoney and Thelen 2010). Therefore, institutional stability does not necessarily derive from the early stages of the institution.

Although we do not seek to resolve the abstract debate about how institutions evolve, both literatures are useful to propose a temporal framework of analysis that distinguishes between the origins of the institution (1991–1993) and its development (2000 onward), without assuming that such development is a derivative process of early choices.⁶ Therefore, to understand how the neoliberal regime in Peru acquired continuity and stability, we focus on two blocks of actors at those two different moments.

Our two groups of actors are politicians, on the one hand, and technocrats and bureaucrats, on the other. In a democracy, institutional reforms require the initiative and support of political coalitions (Hall 2010). In the case of a weak or absent political class, the substantive reform or replacement of an institution is unlikely. We consider a political class to be weak when political parties do not receive a significant percentage of the vote; elected authorities have short tenures; and political vehicles and their leaders are disconnected from social bases. The absence or weakness of a political class constitutes a propitious context for the reproduction of an institution (in this case the neoliberal regime) but does not explain why and how the institution successfully survives crises, reproduces, and gets stronger. That process of institutional development depends on the second block of actors: those within the state. We refer to an important new alliance of technocrats and bureaucrats within the Peruvian state. In studying this block of actors we focus on two dimensions.

First, we underline the sources of their authority. Since the Peruvian bureaucracy is by no means Weberian, not even in simple operational terms (Evans and Rauch 1999), its power and legitimacy do not come from the formal law but from two dilute sources. On the ideological front, it comes from what Peter Hall classically described as a social policy paradigm, the neoliberal paradigm (Hall 1993). The core of the new regime (its institutions and the people related to the eco-

6. Since we deal with a recent institution that has lasted just a couple of decades we avoid using terms such as "critical juncture" or "path-dependence" usually employed to explain macrohistorical phenomena; we lack enough historical distance to use those terms properly.

conomic institution) was always solidly committed to the new economic principles. But ideas do not matter in a vacuum; they become influential when they take root in social contexts or become institutionalized (Hall 1997, 186). The international beliefs embodied in transnational intellectual institutions, financial institutions, and especially American universities played a main role in socializing people, diffusing ideas, and building “epistemic communities” (Montecinos and Markoff 2001; Sikkink 1991; Davis Cross 2013). The epistemic literature shows that in order to have success, ideas must be completed and empowered by sharing networks and socialization, which constitutes the second source of authority we analyze in this article, the progressive emergence of an *esprit de corps* between technocrats and bureaucrats forging an alliance based on sharing discourse, practices, manners, and common interests that have gradually taken root and expanded within the state (Centeno 1997). And, as in other contexts, technocrats and bureaucrats in the Peruvian ministries and agencies have tended to perceive their ideas and principles as the objectively correct ones for administering the state (Bourdieu 1989; Silva 2009). In contexts of low institutionalization like Peru (Levitsky and Murillo 2009, 2012), these ideational and informal sources of power and legitimacy are far more relevant than the formal law.

In addition to their sources of authority, we analyze the strategies bureaucrats and technocrats follow to defend and reproduce the institution. We focus on three main strategies: how they successfully adapt the institution to new political contexts (Thelen 2003); how members of the “core” of the neoliberal agencies progressively infiltrate new agencies (Ginsberg and Shefter 1990; Teles 2010); and how they deploy *candados* (locks) in organizations and policies to block future reforms. It is the accumulation of these kinds of minor (and daily) strategies that permits the survival and the deepening of the broader neoliberal regime.

To sum up, our account of how the Peruvian neoliberal regime gained stability in Peru makes room for the origins of the institution but also highlights its crucial development in the 2000s. We argue that the constant weakness of the Peruvian political class (Levitsky 2013; Vergara 2012) creates the environment that permits the reproduction of the institution, and that technobureaucrats actually shield, maintain, and strengthen the institution in gradual ways. Crucial in our account are the ways that actors have adapted the institution to new political contexts, and the strategies they employ to keep it alive and to institutionalize it. This does not derive directly from the origin of the institution.

THE ORIGIN OF THE NEOLIBERAL INSTITUTIONS

The establishment of neoliberal institutions during the late 1980s and early 1990s was a crucial moment for Latin American countries that led to a new critical juncture (Roberts 2012). In Peru this was particularly acute for at least a couple of reasons. First, the response to the economic crisis in the second half of the 1980s displayed impressive levels of mismanagement. The country descended into an abyss of productive paralysis, unstoppable hyperinflation, and the collapse of basic state capacities (Weyland 2002, chapter 6). The threat of the Shining Path also contributed to the sense of general crisis; the end of the 1980s constituted

“a national trauma” in Peru (Leiteritz 2010, 119–122). Consequently the new regime was built in reaction to the institutions and people that had created such a disaster. In addition, the neoliberal experiment arrived in a particularly authoritarian manner. In 1990 the Fujimori government introduced the first neoliberal measures, but the more substantive set of neoliberal reforms came after the April 1992 *auto-golpe* that, amid widespread popular support, effectively shut down the judiciary, the constitutional court, the national congress, and the regional governments. Lacking a political party, Fujimori garnered the support of unelected technocrats and the military (Mauceri 1995). The Peruvian political class was almost totally replaced between 1992 and 1993. Many traditional parties declined to participate in the 1993 constituent assembly, and those that did received less than 10 percent of the vote. In the presidential election of 1995, when Fujimori was reelected with 64 percent of the vote, no traditional party reached 5 percent. New institutional arrangements are more likely to endure when those who implement them have clearly defeated their principal opponents (Przeworski 1991). The authoritarian origin of the neoliberal institutions was crucial to their future stability since it helped destroy the traditional parties that had created the previous regime (embodied in the Constitution of 1979), which were the main opposition to the new one.⁷

Meanwhile, within the state, technocrats and nonpolitical ministers (usually businessmen) forged an alliance in order to implement neoliberal reforms (Arce 2005). Especially under Fujimori’s second minister of economy, Carlos Boloña (1991–1993), a radical new set of neoliberal policies were adopted that went beyond even what international institutions were advocating at the time (Dargent 2015). In this context, the new ministers found a way to pay competitive salaries to a new cohort of young professionals brought into the state from the private sector. This was the first generation of technocrats in the Peruvian state.⁸ This new group of professionals was the beginning of a long line of informally empowered technocrats and bureaucrats that have been crucial to the regime’s resilience.

In much the same way as Centeno (1997) identified in the Mexican case (but much less institutionalized and without ties to a hegemonic party), these new actors and ideas were empowered by informal institutions. The new regime brought a powerful “social policy paradigm” (Hall 1993)—neoliberalism. This ideological capital proved to be resilient and prospered during the next two decades. Leiteritz (2010) argues that Peruvian technocrats are ideologically far more neoliberal than their Colombian counterparts.

However, ideas become important only when they are embodied in networks and institutionalized. That is what happened in the early 1990s; the new ideas were embodied by a new cohort within the state. In ministries linked to economic activity and the so-called islands of efficiency, this new cohort started to share spaces, vocabulary, and manners, and an *esprit de corps* gradually emerged. These sociological forces are crucial since the incipient new group of technocrats and bureaucrats within the state was, and still is, not formally empowered by

7. On the collapse of Peruvian political parties see Tanaka 1998; Levitsky and Cameron 2003.

8. Mayén Ugarte, interview, Lima, December 2012.

the law. As Dargent (2015) suggests, the authoritarian origins of Peru's neoliberal regime did not give state officials the incentive to formalize their power, because technocrats were sufficiently insulated due to the authoritarian context of 1992–1995. As a result, the Peruvian state has a dual bureaucracy. One is an example of what Grindle (2010) calls a “phantom civil service,” which plays no relevant role in policy making; the second, in contrast, includes powerful actors within the state whose authority does not come from the legal order but from socialization and the shared policy paradigm. It is informal politics (see Radnitz 2011). According to several interviewees, this cohesion first emerged when a group of technocrats from economy-related agencies met to transform the Peruvian state.⁹ An alliance was forged between the Ministerio de Economía y Finanzas (MEF), Banco Central de Reserva, and newly empowered agencies that oversaw the economy.¹⁰ The main proof that a new group was emerging was the retention of Minister Boloña's two vice-ministers by his successor, Jorge Camet (1993–1998). By the end of the initial period, such insulated policies paid off: hyperinflation vanished and economic growth resumed.¹¹

In summary, the formal regime represented by the 1993 Constitution was adopted under conditions of strong popular support and political autonomy for policy makers. Fujimori liquidated both the preexisting institutional structure and the political actors that had founded and supported it. It is not surprising that such a period has been depicted as a “critical juncture” (Tanaka 2001). The main challenges to the new order were to come in the next decade after the fall of the Fujimori government. Actors within the state had to employ several strategies to defend and reproduce the institution against politicians who, despite their anti-neoliberal rhetoric, never succeeded in defeating the defenders of the regime.

CRISIS AND FIRST ADAPTATION

As Levitsky and Murillo (2009) state, what differentiates between institutional endurance and institutional stability is the ability to survive crises. The neoliberal regime has prospered in Peru only after overcoming crises that could have partially altered or drastically reformed it. The main crisis was the collapse of Fujimori's government in 2000. There were four reasons why this was a particularly acute crisis for the regime: the corruption scandals surrounding the collapse; the mobilizations during the third, illegal election of 2000; the accompanying economic stagnation; and the clash between technocrats and *fujimorista* politicians over economic policy. This was the sort of crisis that ousted presidents elsewhere at the same time (Bolivia in 2003, Ecuador in 2000, and Argentina in 2001), leading to major political changes. Economically, although Peru's economy had grown in the mid-1990s, GDP fell 0.7 percent in 1998 and then experienced meager growth

9. Laura Calderón, current vice-minister of economy, interview, December 2012; and Emma León de la Fuente, former *secretaria general* in several ministries, interview, December 2012.

10. Among them were Superintendencia Nacional de Tributos (SUNAT); Instituto Nacional de Defensa de la Competencia y de la Propiedad Intelectual (INDECOPI), and Superintendencia de Banca y Seguros.

11. The defeat of the Shining Path was another success for Fujimori's government.

of less than 2 percent in the following three years.¹² The clash between the different factions highlights the criticality of this time period. Research shows that by the end of the 1990s, technocrats' strength was not autonomous but relied heavily on politicians (Conaghan 1998). In 1999, Victor Joy Way, a political fujimorista, was appointed to head the usually neoliberal MEF to ensure Fujimori's reelection against the technocrats' will (Dargent 2015). The collapse of Fujimori's government was a critical moment for the neoliberal regime.

The regime survived, but not because of its original design or because of the inertia that emanated from a "critical juncture." Rather, it survived because pro-continuity actors successfully adapted the institution to a new political context. First, the nine-month transition government of Valentín Paniagua appointed Javier Silva Ruete, an old "technopol," as economic minister.¹³ Surprisingly, many of the technocrats and bureaucrats closest to the Fujimori administration retained their positions and in some cases were promoted. The transition government and the new minister of economy kept both of Fujimori's last vice-ministers Javier Abugattás and Alfredo Jaililie. In addition, Silva Ruete appointed Beatriz Boza, a prominent technocrat who had launched many of the neoliberal initiatives of the 1990s, as his chief of cabinet. What is important is that all these appointees shared the policy paradigm and socialization of the 1990s. In addition, they launched democratic reforms to correct the corrupt, authoritarian "deviations" of Fujimori's government, adapting the regime to a new democratic context by championing government transparency and anticlientelism initiatives.

The process of adaptation continued under the Toledo administration (2001–2006). President Toledo had no party, suffered very low levels of popularity, had no experience with the state, and was haunted by the threat of impeachment. Under these conditions, Toledo gave free reign to key technocrats and bureaucrats who made the neoliberal institution endure. He appointed Roberto Dagnino, today former vice president of the World Bank, as prime minister and Pedro Pablo Kuczynski, another powerful technopol, as subsequent minister of economy and prime minister. Kuczynski essentially became the administration's strongman. Toledo is the first example of a recurring pattern in post-Fujimori Peru: weak politicians ceding the reins of government to neoliberal technocrats.

In the critical years of 2000 and 2001, the neoliberal regime's sources of authority were validated. The policy paradigm was maintained and cleansed of corrupt fujimorista politicians and clientelist policies, but the appointment of big names of the international technocracy protected the main policies of the 1990s and the circle of technocrats and bureaucrats who had initially implemented them. In addition, in 2002, Toledo closed the Ministerio de la Presidencia, a crucial force in the fujimorista executive, because of its political involvement in Fujimori's popularity and reelection. After that, the neoliberal MEF became the indisputable epicenter of Peruvian executive power. Hence, the new democratic period functioned as a sort of second institutional origin by validating the authority of technocrats

12. Data from Banco Central de Reserva.

13. According to Domínguez (1997, 7), technopols are "a variant of technocrats. In addition to being technocrats . . . technopols are political leaders."

working within the state and creating the mechanisms that would preserve that authority in the future. The conditions that permitted the survival of the institution—weak politicians trusting well-skilled people within the state—set the path for the endurance and strengthening of the neoliberal regime until today. This second origin, and the process it launched, is even more important to our understanding of Peruvian political continuity than the early 1990s.

OBTAINING STABILITY: ACTORS AND STRATEGIES

The emergence of the informal bureaucracy is a crucial but understudied change in Peru. While some research has highlighted the role of technocrats in contemporary Peru (Dargent 2015), scholarship has not focused on what we call informal bureaucrats. These are not technocrats that design policies or prepare major institutional initiatives but a new layer of people with powerful administrative knowledge of the state's legal and formal procedures. Although they can be mistaken for technocrats, they function as bureaucrats. Since they are not properly empowered by a civil service law or tenured in any way, we highlight their informal character. Their sources of political weight are the policy paradigm, their socialization, and the resulting esprit de corps. The main informal bureaucrats are the *secretarios generales* (SGs). The SG is the appointee within each ministry who holds the highest authority in administrative matters and whose formal position is below only the minister and vice-ministers. That is, SGs and their administrative teams—lawyers, accountants, and managers—are the ones that guide the work of the minister through the legal apparatus.

Technocrats and informal bureaucrats have forged an alliance to control reformist politicians. Technocrats, SGs, and their teams have become the Weberian *carriers* of the regime, its policies, and its ideas. They preserve the regime not just in moments of crisis but on a daily basis. They are capable of doing this first because of the balance of power between politicians and informal bureaucrats, and second because of the strategies they have developed to strengthen their position. We will examine these two phenomena in turn.

ACTORS

In the words of the minister of social inclusion, Carolina Trivelli, “You cannot move within the state with an SG who has no previous experience in that position.”¹⁴ To assess the increasing importance of these informal bureaucrats, we examined the work of all 221 SG terms in eighteen ministries between 2000 and 2012 and observed how stable these critical actors were across the state. In 2001, 43 percent of SGs had previous experience in that position; by 2012 the number had risen to 61 percent. That is, their sphere of influence has substantially increased throughout Peru's ministries. Their increasing strength comes from the knowledge and the social networks that progressively spread to new actors and

14. Carolina Trivelli, interview, Lima, December 2012. After this article was finished Trivelli left the ministry.

sectors within the state. This began with first wave of technocrats in the 1990s, and has grown into an efficient informal network that permits bureaucrats to move from one ministry to the next. These bureaucrats see themselves as the guardians of Peru's success. The group is decidedly pro-continuity, seeking to preserve the "institutional memory" of each ministry.¹⁵ For them, "to do things in the right way means doing them as they were done earlier."¹⁶ For technocrats and bureaucrats, nothing is more dangerous than a politician. There is an esprit de corps among them; they support each other and move across ministries with a security they obtain from a network of contacts rather than from the law.¹⁷ Although formally they only have administrative prerogatives, according to one of Humala's short-lived leftist vice-ministers, the SGs are, in fact, the ones who tell the minister "what he can do and what he cannot do."¹⁸ Bureaucratic knowledge is not only used for administrative purposes. According to a current Humala minister who requested anonymity, the best way to get rid of distrusted politicians is through the bureaucracy: "The SG sets a trap, the minister falls for it, and then they expel him." No other formula captures so succinctly the rise of the increasingly self-reinforcing dynamic in which empowered bureaucrats easily defeat weak reformists.

The Peruvian state now has a cohort of experienced and better-trained technocrats.¹⁹ Between 1990 and 2000, only two out of the six economy ministers had studied at an international university and two had experience in international financial organizations. Between 2000 and 2012, all ten economy ministers had international degrees, and nine had previous experience with international organizations.²⁰ Outside the MEF, the technocratic trend follows a similar path. For this study, we examined the evolution of the proportion of technical versus political ministers in the administrations elected since Fujimori.²¹ The results support our hypotheses: during Alejandro Toledo's administration (2001–2006), technical ministers accounted for 49 percent of the total; this rose to 61 percent during García's administration (2006–2011) and then 66 percent under Humala (2011–2012).

The alliance of bureaucrats and technocrats can impose its will not because it

15. María Lila Iwasaki, former SG in several ministries, interview, July 2012.

16. Mayén Ugarte, interview, December 2012.

17. Verónica Zavala, former minister of transportation and important functionary in different state agencies for the last two decades (currently at the Inter-American Development Bank in Washington, DC), interview, December 2012.

18. Eduardo Ballón, former vice-minister of Ministerio de la Mujer, interview, June 2012.

19. Interestingly, in some cases the division between bureaucrats and technocrats blurs. For example, the current minister of foreign affairs, Eda Rivas, used to be the justice SG under Toledo; she then was minister of justice and now has become *canciller*. From administrative duties she went on to a very prominent political position.

20. Data from Dargent 2012.

21. We analyzed all the ministers in each ministry from the Toledo government (2001) to the third Humala cabinet (June 2013), a total of 262 terms. We define technical minister as the one whose recognition comes from his/her high level of expertise (Centeno and Silva 1998). A "political minister" is the person that in the last ten years was either militant in a political party, a candidate, or was elected to a popular elected position. A "businessman minister" is one who has either had management/executive positions in the private sector, is the owner of an enterprise, or has had important responsibilities in business organization (*gremio empresarial*). Interestingly, the percentage of business ministers has remained more or less stable over time though increased slightly: 12 percent under Toledo's administration, 14 percent under García's, and 19 percent under Humala.

is exceptionally strong but because politicians and parties are extremely weak. In the last presidential election, the five front-runners lacked proper political parties. The winner, Ollanta Humala, had never held public office before. In this context, it is easy to understand why several technocrats and bureaucrats we interviewed declared that Humala is the kind of leader functional to “our agenda”: having no party, no experience, no strong business community support, and no ideas about what to do with the state, he must trust “us.”²²

This weakness characterizes the entire political class. It is present, for instance, in the crucial legislature, through which any major reform should pass. Congressmen in Peru are increasingly irrelevant. The legislature has stopped creating substantive legislation, which is now given by the executive through different legal mechanisms (Valladares 2012). The percentage of returning congressmen diminishes every year, creating a congress of amateur politicians. Between the 2006 and 2011 congresses, only 12 percent of incumbents were reelected. Out of the 32 percent of congressional seats Humala’s coalition won in 2011, over 70 percent were filled by first-time legislators. Under such circumstances, the executive, especially its main ministry, the MEF, has increasingly become the legislative engine of the country. Other political forces in Peru suffer similar precariousness. The venerable APRA, despite its tradition and control of the presidency between 2006 and 2011, has just 4 out of 130 congressmen. It is worth mentioning that the Peruvian civil society is also highly fragmented and uncoordinated, which increases the difficulty of altering neoliberal institutional arrangements (Huber and Stephens 2012). Although this variable is beyond the scope of this article, such weakness undeniably contributes to the general weakness of the political class and reform attempts.²³ In such a general context, technocrats and informal bureaucrats are able to reproduce the neoliberal regime.

Such political weakness has progressively reduced the number of politicians in Peruvian cabinets. Using the data collected about post-Fujimori ministers (2000–2013), we found that 27 percent of cabinet appointees under Toledo and 24 percent under García were politicians. This trend reaches its lowest level with Humala’s third cabinet, in which only the minister for women, Ana Jara, of nineteen ministers, is a political minister. Two are businesspeople and the sixteen remaining are technical ministers. Paradoxically, such unique depoliticization of the executive in the context of Latin America was not reached with a right-wing liberal technopol but with a populist outsider.²⁴ Without opposition from any of

22. Obviously, they all requested anonymity. A couple of interviewees even mentioned that the situation was very similar to the early Fujimori administration: a lot of autonomy for technical ministries, while the president and his closest allies are primarily interested in the army domain.

23. On the fragmented civil society see Panfichi 2011.

24. According to Amorim (2006), in a survey of twelve Latin American countries between 1978 and 2004, the average of politicians holding ministries is 78 percent. If we compare current Peru with the more recent new left governments, it appears as a peculiar case of depoliticization. Out of the current twenty-six of Dilma Rousseff’s ministers, twenty-two come from her coalition and ten from the PT (Partido dos Trabalhadores). In the first cabinet of Michelle Bachelet (2006), seventeen out of twenty ministers were politicians from the Concertación.

these potential checks, technocrats and informal bureaucrats are able to maintain the neoliberal regime.

STRATEGIES

So far we have shown how the balance of power within Peruvian governments progressively shifted toward experts and how the relevance of politicians gradually vanished. Now we turn to the most visible strategies by which technobureaucrats carry out the reproduction of the regime.

Candados (*locks*)

Several interviewees mentioned that the best mechanism to ensure the preservation of the neoliberal regime is the inclusion of *candados* (locks) in public policies, trade agreements, and internal regulations. The main lock preventing regime change is the previously mentioned Article 60 of the Peruvian constitution. That article means any attempt to alter the regime and its policies can be labelled “unconstitutional.” Another important example of this strategy is found in the successful conditional cash transfer program Juntos. Implemented by Toledo at the end of his term, Juntos raised concerns about its potential for clientelism. The worry was that a populist leader could direct Juntos at voter-dense urban areas rather than the poorest, usually rural, areas with few voters. To prevent this, the law establishing Juntos put the MEF in charge of determining the areas the program covers.²⁵ As a result, it is very difficult for a president to use Juntos clientelistically since the program’s coverage is not determined by political actors. Another important mechanism preventing change is the so-called policy-based loans that knit policies to the approval of international or multilateral organizations, making them difficult to alter.²⁶ Another effective *candado* created by technocrats and bureaucrats against politicians is the Ley de Responsabilidad y Transparencia Fiscal (Decreto Supremo 066–2009), which states that in the year of general elections the executive cannot spend more than 60 percent of the budget before July, when the new administration takes office. This is primarily an economic law, but it also has strong political implications, for it blocks any possibility of an incumbent’s populist temptation in the election year. This is, transparently, a norm against politicians—even more strikingly against incumbent politicians.

Finally, international trade agreements have also become major *candados*. Since the 1990s, Peru signed more than twenty bilateral investment agreements as well as eleven free trade agreements. All of them include clauses designed to block attempts to change economic rules in the country. Every free trade agreement has a chapter on “private investment” establishing investors’ prerogative to sue the Peruvian state before international courts if government regulations or

25. Decreto Supremo 032–2005-PCM.

26. This kind of *candado* has been widely used in different sectors: energy matrix, social programs, water policy, and transport infrastructure.

actions at any level affect their expectations for profit. These are what the expert Alejandra Alayza calls investors' "*super derechos*" (super rights or super guarantees), which protect rules regulating economic activity by effectively threatening state authorities that consider altering them.²⁷ For instance, according to a former vice-minister of environment in the Humala administration, mining investors usually invoked such clauses every time environmental requirements were discussed with them.²⁸

Infiltration

While the first strategy focuses on preventing change through formal mechanisms, the gradual "infiltration" of people from the core of the pro-continuity organizations (MEF and agencies close to the economic activity) to other ministries and agencies of the state helps the development and strengthening of the regime. Though there are many examples of this mechanism, the latest and most relevant one occurred in the creation of the new Ministerio de Desarrollo e Inclusión Social (MIDIS) immediately after Humala took power. This new agency was a key promise of Humala's campaign and its main leitmotif of "social inclusion." Once Humala was in office, he appointed a group led by Kurt Burneo—an ally from Toledo's party Perú Posible and unconnected with the core of the main technobureaucracy—to create MIDIS. According to several interviews, MEF personnel detected that the proposal prepared by this group intended to diminish the power of MEF by creating a sort of leftist counterweight to its preeminence in the executive. While the proposal approved by Congress waited for executive ratification, the MEF successfully convinced Humala to alter the plan. After dismissing the original proposal and pushing aside the group of people that had prepared it and who were slated to become the new authorities of MIDIS, Humala created the new ministry with prominent former MEF cadres.²⁹ The appointed minister was a sophisticated, internationally renowned technocrat and researcher, Carolina Trivelli. Moreover, even more important to our argument, her two vice-ministers are former MEF cadres.³⁰ In the words of Vice-Minister Jorge Arrunátegui, "Our technical work is consistent with MEF expectations."³¹ In a nutshell, MEF conceded to the "leftist campaign promise" but dictated the terms of its creation and ensured that no leftist/reformist outsiders would head such a new agency.³²

27. Alejandra Alayza, interview, June 2013. See also "Nuevo marco de regulación para inversiones," *Alerta Urgente*, no. 14, November 2012, http://www.redge.org.pe/sites/default/files/alerta_urgente_14_regulacion%20para%20inversiones.pdf.

28. Jose de Echave, interview, April 2013.

29. Kurt Burneo, interview, February 2013.

30. The vice-minister of Políticas y Evaluación Social is Juan Pablo Silva, who held several positions at MEF from 2003 to 2012; and the vice-minister of Prestaciones Sociales Jorge Arrunátegui was at MEF from 2003 to 2006 and then held different positions at Servir (Civil Service National Authority) between 2008 and 2011, including being executive president of the institution.

31. Jorge Arrunátegui, interview, July 2013.

32. Since this article was finished MIDIS heads have been replaced. Consistently with our argument, the new minister is Mónica Rubio, a longtime IDB cadre, and the new vice-ministers are the former MEF cadre Alfonso Tolmos and Paola Bustamante, also a technical cadre.

Other examples confirm that MEF officials have infiltrated sectors that used to be out of their direct control. The current minister of agriculture, Milton Von Hesse, worked at the MEF from 1997 to 2007 and after that was director of PROINVERSION, the national private investment promotion agency. The second labor minister in the Humala administration, José Villena, was also a former MEF official. The Ministry of Housing under Humala is led by René Cornejo, a technocrat who was a top official at the agency in charge of state-owned enterprises (FONAFE) during Fujimori's government and manager of the successful housing program MIVIVIENDA as well as the pro-investment agency, PROINVERSION, under Toledo. Such examples are abundant; more and more top officials in ministries not directly related to economic activity are led by former rank and file of MEF (and satellites).³³ As a result, the regime's principles, policies, and particular know-how have expanded across the state, making the regime more stable and homogeneous in terms of people, practices, and ideas, none of which are limited to the economic realm any longer. Since the political class is so precarious, parties and politicians have no way of stopping the expansion of the carriers of the regime through the whole state.

BACK TO ADAPTATION

After Fujimori's government collapse, pro-continuity actors succeeded in making the neoliberal institution endure by adapting it to the new democratic context. Humala's victory in 2011 created a similar challenge. To preserve the institution, they adapted it to a new political climate in which contemporary Peru's most anti-neoliberal actor had won the presidency. The adaptive capacity has been very impressive in various ways. We will stress two of them. The first one has already been mentioned: the creation of MIDIS, which involved a great deal of give-and-take between Humala and the forces of continuity. The new ministry and new social programs allowed Humala to show his commitment to "social inclusion." However, MIDIS and the programs it has implemented represent a neoliberal approach to social policy and thus do not challenge the regime.³⁴ Hence, for a second time, the institution was successfully adapted to a major change in the political context. Environmental policies are a second example of this adaptive capacity. Humala campaigned on an anti-mining discourse promising respect for the environment and tougher measures on mining companies. One of the most debated issues during his first two years in office was the creation of an independent agency to supervise environmental regulation compliance. The agency was needed since the Ministerio de Energía y Minas (MEM), which was charged with conducting the Estudios de Impacto Ambiental, was perceived to be infiltrated by private mining interests (not completely erroneously). So the government created

33. Since this article was finished the Education Ministry has also followed the path described in this article. The new minister Jaime Saavedra was a longtime World Bank functionary. In addition, and interestingly enough, the former vice-ministers of MIDIS (and former MEF cadres) Jorge Arrunátegui and Juan Pablo Silva have also landed in that ministry with the new minister.

34. On the different approaches to social policy see Reygadas and Filgueira 2010.

the Organismo de Evaluación y Fiscalización Ambiental (OEFA), an independent body under the Ministry of Environment. However, “ambientalistas” did not achieve their primary goal of removing environmental impact studies from the MEM. In fact, though the OEFA supervises the correct application of environmental standards across the government, the MEM retains responsibility for carrying out the actual studies. In addition, this strategy was successfully linked to infiltration: the president and executive director of the new agency (Hugo Gómez) is a technocrat with previous experience in INDECOPI and Organismo Supervisor de Inversión Privada en Telecomunicaciones (OSIPTEL), two of the islands of efficiency created in the 1990s and linked to the MEF sphere. Again, through this itinerant new layer of people within the state, the principles, practices, and a particular know-how spread to new realms, in this case environmental issues.

In practice, the three identified strategies are used in tandem. The best demonstration of them is analyzing Humala’s talks with the Spanish energy company Repsol about acquiring its Peruvian assets, including the important oil refinery La Pampilla. At the end of 2012, President Humala, his minister of energy Jorge Merino, and Petroperú’s president Humberto Campodónico were seriously considering the transaction. In April 2013, Humala met with Repsol’s president and, immediately afterward, the executive approved regulations clearing the way to buy Repsol.³⁵ This attempt was Humala’s clearest challenge to the neoliberal regime, giving the state an economic role by purchasing a private company. This engendered a wave of criticism. On one front, mainstream media and entrepreneurs organizations fiercely opposed the “chavista” intentions of the government. However, according to our interviews and the most exhaustive journalistic account of the episode, the crucial factor in blocking Humala’s revived statist impulses was Minister of Economy Luis Miguel Castilla.³⁶ On April 29, President Humala and Castilla met for a crucial evaluation of the transaction. Using strictly technical criteria, Castilla and one assistant explained to the president why buying Repsol had no rationale (Uceda and Rivera 2013). On May 2, the government officially announced it was no longer interested in buying Repsol. Castilla is now widely perceived as the strongman of the administration. In the 2013 annual survey in which the think tank Ipsos Apoyo asks for the most powerful people in Peru, Castilla unsurprisingly features third behind Humala and his wife.³⁷ Hence Castilla, who was Alan García’s vice-minister of economy, is today the most influential of Humala’s ministers. The Repsol episode highlights a crucial and usually unnoticed factor sustaining the regime and its policies: the new technobureaucracy that possesses the political skills to convince weak politicians through their informal but powerful sources of authority.

We have shown the previously little-noticed political and institutional dimen-

35. “Conozca el reglamento de la Ley de Fortalecimiento y Modernización de Petroperú,” *La Republica.pe*, April 27, 2013, <http://www.larepublica.pe/27-04-2013/conozca-el-reglamento-de-la-ley-de-fortalecimiento-y-modernizacion-de-petroperu>.

36. David Rivera, journalist, interview, June 2013.

37. “Los más poderosos del año 2014,” <http://elpoderenelperu.com/>.

sions of the contemporary Peruvian institutional persistence. We argue that such a process occurs gradually within the state because the balance of power between pro-continuity actors and pro-change actors tips toward the alliance of technocrats and informal bureaucrats. They deploy different strategies to prevent change and strengthen the regime and its policies. Among the interviews we conducted, four were with prominent reformists that had fleeting positions in the first year of Humala's administration: Kurt Burneo, minister of production; Eduardo Ballón, vice-minister of social development; Jose de Echave, vice-minister of the environment; and Ricardo Soberón, head of DEVIDA, the state counternarcotics agency. With slight differences, accounts of their short journeys in the executive echo the main ideas proposed in this article. All four complained about lacking the political support to implement important reforms, demonstrating the weakness of the political class, and pointed out the difficulties of dealing with empowered technocrats and bureaucrats opposed to reformist politicians. Through different mechanisms, they all quickly ended up out of the government.

CONCLUSIONS

In recent years, different researchers have criticized the field of institutional development for being too deterministic: "If the story is all in structure, . . . initial conditions, path dependence and exogenous shocks, then perhaps we should simply sit back and let history take its course" (Levi 2006, 2; see also Weyland 2008). As a result, a new, distinctive agenda focusing on actors, strategies, and contingency has grown in the field in the last years (Mahoney and Thelen 2010). However, this antideterministic agenda has prioritized the study of institutional "change" rather than institutional "persistence." A great example is Taylor's (2009) piece on the Brazilian Central Bank showing the institution's gradual evolution, in which actors and their strategies were the driving force. In this article, by contrast, we have shown how persistence ("no change") might also occur through a similar slow and gradual process dominated by contingency and actors' strategies. In our case, stability is less a matter of a long-lasting equilibrium than a contingent process driven by agents' strategies. The argument picks up Katznelson's (2003) suggestion to pay attention to the "micro-foundations of stability."

Our case also speaks to the recent literature on the Latin American left turn. After Humala's election in 2011, Peru had the main ingredients recognized in the comparative literature as necessary for substantive reform to neoliberal legacies: absence of parties, a booming economy driven by natural resources, and the arrival of the kind of anti-neoliberal outsider who perceives access to power as a "now or never opportunity" (Kaufman 2011, 113). However, neoliberal institutions remain in place. In this article, we have pointed out a "mechanism of moderation" usually not identified in that literature: unelected actors within the state. Political parties are not the only force that can moderate anti-neoliberal outsiders; technocrats and bureaucrats can as well. In this article, we follow recent claims that people working within the state deserve to receive more attention as independent variables (Dargent 2015).

Empirically we have stressed the slow and gradual process through which neoliberal institutions have acquired stability in contemporary Peru. We have underlined the mechanisms permitting their reproduction. Without denying that early stages of the institution matter, we have emphasized the process that happens after those early stages. Especially important are the unfolding changes in the balance of power between two crucial actors: the politicians attempting to reform neoliberal institutions and the technocrats and bureaucrats attempting to protect them. We have also stressed the importance of the strategies employed. Particularly, we have singled out how pro-continuity actors successfully adapted the institution to major changes in the political context; at the same time, they successfully deepened the principles, vocabulary, and policies of the neoliberal regime in the economic realm and deployed them in new state agencies that used to be outside of their influence. The expansion of the cohort of bureaucrats and technocrats that see themselves as guaranteeing Peru's recent prosperity has been crucial to Peru's institutional stability. Carlos de la Torre (2013) has shown how President Correa in Ecuador succeeded in getting rid of the old neoliberal technocracy and replacing it with a "postliberal" one. De la Torre's article offers some clues about the conditions under which the Peruvian reproduction could stop: empowered politicians defeating a technocracy, and bureaucracy that lost its informal sources of authority when neoliberal policies stopped "delivering." Let us be clear, the main factor preventing important changes to the neoliberal institutions in Peru is not a "formidable Weberian bureaucracy" but the precarious and weak Peruvian political class coupled with a weak and fragmented civil society.

Finally, our diagnosis of the current Peruvian situation calls for reflection on the relation between unelected actors' policies and elected politicians. In 1998, Miguel Ángel Centeno and Patricio Silva suggested the appearance in Latin America of "technocratic democracies": "In technocratic democracies, elected representatives still have nominal control over the final decision-making, but the framing of policy alternatives is largely in the hands of experts" (Centeno and Silva 1998, 11). Contemporary Peru represents a radical version of this phenomenon that has perhaps gone beyond what Centeno and Silva described, in which politicians do not even make the final decisions. Whatever the answer, contemporary Peru seems to be another case in which political combat moves from a decaying electoral arena toward state institutions and their unelected bureaucrats (Ginsberg and Shefter 1990; Teles 2010). The country's exemplary economic performance of the last twelve years is in large part due to the persistence of this kind of technocratic management, a fact that is an important source of legitimacy for technocrats and bureaucrats. However, technocratic management may also be increasingly related to the constant malaise pervading the political system. To what extent and for how long can a precarious political class with no linkages to society rely on a small, informal, and well-skilled cohort of technobureaucrats? Surprisingly, Peruvian stability is rooted in precariousness. The emergent bureaucracy has no basis in law, nor is there any sort of explicit policy consensus between political parties, as in Brazil, Chile, or El Salvador (Roberts 2012), to ensure such continuity. Although the Peruvian regime has progressively gained force, it still

relies heavily on contingent choices and strategies and not on institutional structures, political pacts, or strong political or social forces.

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