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Shantytown Formation as an Anti-Systemic Historical Process:

A World-System Study on Peruvian Social Transformation

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A Thesis

In

The Department of  
Sociology & Anthropology

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## ABSTRACT

Shantytown Formation as an Anti-Systemic Historical Process:  
A World-System Study on Peruvian Social Transformation

Gi Hyun Kim

Shantytown formation in Peru has widely been understood as a simple informal housing formation by the urban poor in Peru. Most studies have tried to determine the cause of shantytown formation and concluded that it is caused by extreme rural poverty and expanding inequalities between the rural and urban areas resulting in the migration of the impoverished to the cities. Yet, they did not provide more comprehensive and historical analysis in terms of how such social process begun and evolved. The purpose of this research is to offer a comprehensive interpretation by identifying a long-durée historical trajectory that led shantytown formation in Lima. By tracing back to the time when Lima was established as the capital city of Peru in 1532, this research situates this process in the longer and larger context of Peruvian social transformation beyond the twentieth century and the Peruvian society. Using the method of historical sociology, this study pays attention to crucial historical events and transformation by proposing five different time periods starting from 1532 to the present. This study found out that there are the underlying historical processes and structures of the capitalist world-system which led to the shantytown formation in Lima, and it is possible to interpret that shantytown formation is a part of a long-durée anti-systemic process against the exploitive capitalist world-system. Moreover, the shantytowns have served crucial social functions in contemporary Peru and the inhabitants have become crucial agents of social change by providing a new path for Peruvian social transformation.

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When I went to Lima, Peru in 2004 to do volunteer work as a day-camp coordinator in one of the shantytowns in Lima, the people there who have struggled for their entire life touched the deepest part of my heart. Their vivid life stories have been played over and over again in my head and had never left since. My path was decided and writing this paper was the first step. I want to thank those who taught me what life is and how to live with hope, no matter what the circumstance. Innocent smiles and giggles of those ninos and ninas who welcomed and loved me with their hearts, and hombres and muheres who showed me great love and hope will always be in my heart. And I also want to tell them that I have never forgotten the promises that I made to them.

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## TABLE OF CONTENTS

List of Figures -----	viii
List of Tables -----	ix
Chapter 1. INTRODUCTION-----	1
1.1 Prologue -----	1
1.2 Literature Review -----	2
1.2.1 Historical Origin: Spanish Colonization and Post-Colonization -----	3
1.2.2 Historical Accounts -----	5
1.2.3 Urbanization Process under Neoliberal Globalization -----	6
1.2.4 ‘Andeanization of Lima’ -----	8
1.3 Limitations of Literature and Research Questions -----	10
1.4 Theoretical Perspectives -----	13
1.4.1 World System Perspective -----	13
1.4.2 Regional Perspective-----	22
1.4.3 Anti-Systemic Movement Perspective -----	25
1.5 Methodology-----	29
Chapter 2. European Economic Expansion and Spanish Colonization Processes (1532-1824) -----	32
2.1 Background -----	32
2.2 The Arrival of Spaniards and Reaction of Inca Society -----	34
2.3 Institutional Colonial Systems -----	37
2.4 The Composition of Hierarchy in Colonial Peru and the Emergence of New Class and Ethnicities -----	40
2.5 Crisis in Spanish Colony in the Seventeenth Century -----	42
2.6 Show Signs of Independence, 1808-1824 -----	45

2.7 Summary of Analysis-----	48
Chapter 3. Double-Colonization Process (1824-1914)-----	53
3.1 The Presence of Constant Social Instability Since Independence-----	53
3.2 Economic Expansion through the Export-led Policies in the 1840s and 1890s -----	57
3.3 Peasant Revolts-----	61
3.4 Summary of Analysis-----	63
Chapter 4. The World Wars and the World Economic Crisis (1914-1968)-----	67
4.1 World War I and Continuing Revolts-----	67
4.2 The Advent of New Ideology: Aprismo and the APRA-----	68
4.3 Peru during the Great Depression and World War II-----	72
4.4 The Beginning of Shantytown Formation and Rising Mass Mobilization----	75
4.6 Summary of Analysis-----	79
Chapter 5. Self-Actualization Process of the Oppressed (1968-1980)-----	83
5.1 1968 Revolution-----	83
5.2 Beginning of Populism and Its End-----	86
5.3 Summary of Analysis-----	90
Chapter 6. Double Peripheralization Process under Neo-liberal Globalization (1980-Present)-----	93
6.1 Foreign Intervention within the World Neo-liberal Agenda-----	93
6.2 Sendero Luminoso (The Shining Path)-----	95
6.3 Garcia Regime and Peruvian Chaos-----	97
6.4 Democracy in Peru? : Fujimori Regime and After-----	99
6.5 Summary of Analysis-----	103



Chapter 7. CONCLUSION -----	105
7.1 Chronological Understanding of Historical Events within Capitalist World- System since 1532-----	105
7.2 The Functional Reevaluation of Shantytowns in Contemporary Peruvian Society -----	110
7.3 Future Prospect -----	111
Bibliography-----	115
Appendix A. Peruvian Governments, 1821-2009 -----	129

## List of Figures

Figure 1. Anatomy of Autogolpe: Peru, 1992-----	101
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## List of Tables

Table 1. Annual population change in Peru, 1530-1570-----	40
Table 2. Total Population and Annual Population Change in Peru, 1570-1825-----	44
Table 3. Total Population and Annual Population Change in Lima, 1614-1836-----	44

## **CHAPTER 1**

### **INTRODUCTION**

#### **1.1: Prologue**

In summer 2004, I went to Lima, Peru, to do voluntary work to organize children's six-week summer camps. I worked in one of the shantytowns named 'Chillons de Ladelas' located at the outskirts of Lima. On my way to the site, I found myself surrounded by a sea of shantytowns composed of all sorts of housing materials and structures. Before I arrived in Peru, I did not know much about the shantytowns except for the fact that people who live there are extremely 'poor' and that the Peruvian government has long been trying to eliminate, if not improve, the ring of shantytowns surrounding Lima because they impair the general appearance of its capital city. These overly generalized images about the shantytowns started to change as I learned about the history of shantytowns and the life stories of the residents from the group of women involved in a soup-kitchen in Ladelas. Their vivid life stories of arduous struggles in every aspect of their lives opened my eyes to complexities of all. Questions raised in my head through my experience as a volunteer in the shantytowns never left me ever since. These questions are "why are they there?" and "who are they?"

After I came back to Montreal, I searched for books and articles on poverty and shantytowns in Lima. The literature explains urban poverty and massive informal squatter settlements where the low-income class predominantly dwells in Lima. Yet, the answers that much of the literature provided were insufficient to answer the questions that arose one after the other. In the literature, shantytowns are usually defined as a

simple urban site where the urban poor live. Yet shantytowns in Lima cannot only be defined as such. Mostly, people who live there are migrants who came from the countryside and they are mostly indigenous people: the Andeans and mestizos. Many studies have identified that extreme rural poverty expanded inequalities between rural and urban areas, resulting in the migration of the impoverished to the cities. Yet, they did not provide comprehensive trajectories in terms of how such social process has originated and led to today's situation. What, then, are the origin and the process that brought rural poverty and the huge rural-urban income gap in Peru? The literature raises many questions and provides answers, but there are many important parts that are left unexplained with crucial missing links. I felt that what they were explaining was not untrue yet incomplete. Therefore, in my M.A. thesis paper, I would like to attempt to offer comprehensive interpretations to better understand the social history of shantytowns in Lima from their origin, development process to the present and future.

## **1.2: Literature Review**

It is possible to identify four main bodies of literature on the formation of shantytowns in Lima and poverty. The first body of literature addresses the historical origin of the shantytowns by focusing on Spanish colonization and post-colonization processes. The second is the historical analysis of poverty and shantytowns done by anthropologists and ethnographers. The third interprets shantytown formation as an urbanization process of the rural population under neo-liberal globalization. The fourth views this process as an 'Andeanization of Lima', or a form of social movement of the

urban poor against the economic deprivation and the political violence aggravated the rural conditions since the mid-twentieth century.

### **1.2.1: Historical Origin: Spanish Colonization and Post-Colonization**

The main causes of shantytown formation identified in the literature are Spanish colonization and post-colonization process. Firstly, Spanish colonization is a historical process over a period of about 300 years when Spanish colonial rule reigned over Peru (Paerregard, 1997:1). It started from the arrival of Spaniards in Peru in early 1500s who demanded the last Inca king to establish a trade treaty with Spain, followed soon by the direct rule by the Spain. This colonial period brought continuing impacts on Peru and especially the native Andeans, the descendents of Incas. Exploitation of labour and natural resources by Spain has been identified as the major destructive outcomes of Spanish colonialism. Together with exploitive Spanish colonial rule, the fundamental schism brought by continuous exclusion and subordination of the native Andeans by the creoles (the Spanish descendents who later ruled Peru), is another major outcome of colonization process (Klaren, 1992: Chapter 1<sup>1</sup>; Paerregaard, 1997:1; Werlich, 1978:11-14). During Spanish colonization, Lima became the new capital of Peru (referring to the Spanish territory in South America covering areas wider than today's Peru) replacing the traditional Inca capital, Cuzco (Werlich, 1978:41). Since then, Lima became the centre of politics, economy and administrative institutions. The fundamental inequalities between rural areas where the Andeans have lived and Lima where the creoles have lived continued through centuries. This unique schism divided Peru not only racially but also

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<sup>1</sup> <http://lcweb2.loc.gov/frd/petoc.html>

geographically, socioeconomically and culturally, and this has prevented the establishment of national unity.

Secondly, post-colonization is a historical process where colonial rule continued against the indigenous people after Peru became independent from Spain. Spanish colonial rule was replaced by the internal post-colonial rule imposed by the creoles. They were mostly Spanish descendents that took over political power in Peru after independence in 1824 (Klaren, 1992: Chapter 1). As a result, the fundamental inequalities, exclusion and exploitation of the native Andeans initiated by Spanish colonial rule continued. Especially, the degree of the exclusion of the Andeans who were considered “an obstacle to economic development and national integration” by the ruling creoles became deeply rooted in the Peruvian society (Paerregaard, 1997:1-2). As a consequence, “(c)ontemporary policies have fallen short of providing a national identity that encourages social reconciliation and institutional consolidation across Peru’s economic and ethnic boundaries [...] continues to fuel antagonism among Peruvians” (Paerregaard, 1997:2). According to Paerregaard, there is an intrinsic link between the unique history of Peru and a contemporary phenomenon, a massive migration of the Andeans to Lima. This started from 1930 in its full scale and continued to grow through 1950s and 1960s. “Indeed, migration has become part of the life course for a large segment of Peru’s rural population [...] because of rural poverty and political violence” with a desire for getting better access to services such as health, education and job opportunities (Paerregaard, 1997:18-19). All kinds of deprivation and exclusion whether political, economic, societal and cultural have been experienced by the Andeans who have mostly lived in the isolated countryside. Spanish colonization and post-colonization

imposed by the creoles after independence are identified as the main causes of the persistent grave poverty in Peru and shantytown formation.

This literature provides possible historical origin and causes of poverty in Peru that is particularly experienced by the native Andeans. By pointing at the fundamental division between the Spanish descendents and the Andeans brought by Spanish colonization, it describes the root of the inequalities in the Peruvian society. Instead of interpreting shantytown formation as a contemporary phenomenon, this view allows to understand it as a process several centuries in the making. As well, this literature reveals that post-colonization was a prolongation of the exploitive process and structure established under the Spanish colonial rule. Spanish colonization and post-colonization can be identified as historical origins that greatly influenced in shaping today's Peru, especially in creating the grave level of poverty and ethnic division that prevented building national unity.

### **1.2.2: Historical Accounts**

Here, I want to provide a brief discussion of how historians, ethnographers and anthropologists have approached and described the centuries long poverty that led to shantytown formation in the twentieth century. They pay great attention to the role of outsiders played in Peruvian history since the invasion of Spaniards in 1532. They argue that the exploitation of the Andean population had started with Spanish colonization and it continued until today. Also these outsiders sought after Peruvian natural resources from silver to guano, nitrates, copper, oil and various industrial metals in the twentieth century. In this exploitative trajectory, Peru generated an export-dependent economy system



which can be easily manipulated by foreign interest connected with national bourgeoisie and the oligarchy (Klaren, 1992: Chapter 1). In 1950s, the Peruvian government led by dictator General Odria incorporated free-market orthodoxy to its economic system focusing on export-led economic development (Klaren, 1992: Chapter 1). The Peruvian economy started to enjoy economic growth, yet, this was only concentrated in the urban coastal area, while most of rural areas suffered from losing their lands due to the modernization process of agriculture called 'agrarian reform' (Klaren, 1992: Chapter 1). In addition, since World War II, the fertility rate in both urban and rural areas greatly increased and the population started to grow rapidly in Peru, increasing the pressure for migration from rural to urban area. The number of rural migrant from the Sierra to the urban area, mostly Lima, constantly grew. With the lack of governmental city planning and housing, migrants invaded abandoned land near the centre of Lima and started to build their own housings (Dietz, 1969:363).

The view discussed by historians introduces the external factors/actors that played in Peruvian history. It offers the possibility of understanding the cause of underdevelopment as not only from internal problems but also from external agents. It describes the regional economic imbalance along with the demographic pressure that triggered the migration process.

### **1.2.3: Urbanization Process under Neoliberal Globalization**

The view widely discussed in this literature is to understand the formation of shantytowns as urbanization and industrialization process under the export-led development process since early 1900s (Durand and Pelaez, 1965:166; Fernandez-

Maldonado, 2006:1). Started in the 1950s, there had been agricultural development program in the Latin American countries and the Peruvian government followed suit. Without any distinctive success of this program, various structural adjustment programs (SAPs) based on loans were imposed through the World Bank at the end of the 1970s and the beginning of the 1980s (Massey and Capoferro, 2006:116). As the Latin American countries, including Peru, became incapable of servicing their debts to the International Monetary Fund (IMF) and the World Bank, the degree of deprivation in rural area worsened (Preston, 1969:279). One of these programs was marketizing and privatizing farming in rural areas. As a result, SAPs cause not only economical but social deterioration, especially in rural areas. In addition, the government cut welfare spending and subsidies, aggravating negative impacts on the rural area. As a consequence, peasants who had no income from farming started to migrate. Williams calls it as “spontaneous urbanization” induced by great regional imbalance in national income distribution between rural and urban areas (Williams, 2002:1). In the same context, people in rural areas are pushed to migrate to Lima looking for better services and job opportunities.

Beside economic underdevelopment as the main and common cause identified in the literature, political violence and its instability pushed the rural population to the cities (Doughty, 1992: Chapter 2). For example, in early 1980s when the Peruvian government started to employ numerous neoliberal policies imposed by the World Bank which only aggravated impoverished peasants in rural areas, there appeared one of the most radical revolutionary groups named the *Sendero Luminoso (The Shining Path)* (Doughty, 1992: Chapter 2; Palmer, 1993: Chapter 5). The main purpose of this movement was to destroy neoliberalism and overthrow the Peruvian Government. This

revolutionary group first established active presence in rural areas. The Peruvian government that felt threatened by this group started to use military force to oppress this rebellion (Palmer, 1993: Chapter 5). The war between the two resulted in a great suffering of the peasants and they had to leave their hometowns to flee from brutal violence. This led to the massive flow of migrants coming into Lima and to the formation of shantytowns in unoccupied land near Lima. From these two main reasons, migration from countryside to the city accelerated. Yet, as Dietz pointed out, Lima had no capacity to accommodate housings for this massive flow of migrants. In consequence, the migrants came to occupy land in the outskirts of the city. He viewed this rapid growth of shantytowns as a serious and urgent social problem to be solved (Dietz, 1969:355).

This literature explains the disastrous impacts of neoliberalism and the SAPs that contributed to the great impoverishment in rural areas and the massive migration process, aggravated since the mid-twentieth century. It demonstrates how the SAPs prescribed by the IMF and the World Bank, applied extensively in the Peruvian society in the name of national economic development, only worsened the pain in the rural peasants in Peru.

#### **1.2.4: 'Andeanization of Lima'**

There is a new approach to view the formation of shantytowns as an emergence of new social agents asking for social change: the migrants. With its constantly growing number of shantytowns, changing demographic patterns in Peru both rural and urban, Hudson contends that this process can be interpreted as the 'Andeanization of Lima' or 'reconquest of Peru'. The migrants, mostly Andeans who

have been exploited since Spanish Conquest in the sixteenth century, have come to occupy vast urban areas of Lima (Hudson, 1992: Introduction). With a rapidly growing number of shantytowns accompanied by an increasing number of grassroots organizations, there emerged a new Andean perspective of seeing this phenomenon as the 'reconquest of Peru' (Williams, 2002:4). One of the turning events was the official recognition of the shantytowns. In 1968, the Velasco regime gave an official name '*pueblos juvenes (young towns)*', to hereto nameless shantytowns called '*barriadas*'. Scholars see this as a monumental starting event that paved the way of accelerating 'Andeanization of Lima' (Williams, 2002:4). The government started to provide basic services after recognizing the presence of migrants and their houses in the shantytowns. The migrants become a major working force and the shantytowns become the centre of informal economic activities in Peru. The shantytowns started to receive new attention from not only government but also from scholars.

Dosh observed a massive flow of migrants from the countryside to the cities and increased social mobilizations of these migrants in many Latin American countries. For instance, the Andean countries such as Bolivia and Ecuador started to organize massive mobilizations, even succeeding in installing their own presidents (Dosh, 2007:31). In case of Peru, an organization of the groups of indigenous people in 1998 called the United Front of the Peoples of Peru (FUPP) emerged to demand the Peruvian government to build basic services such as installation of electricity and water service (Dosh, 2007:31). Dosh also points out that FUPP members are mostly migrants living in shantytowns in Lima. He says that this organization is well structured, served by elected representatives from numerous grassroots organizations. Many other scholars share the

point that these migrants have risen as the new social actors organizing social mobilizations in various ways for social change (Padilla, 2004:98).

This literature provides a totally new perspective of understanding and interpreting the massive migration and shantytown formation as ‘Andeanization of Lima’ or ‘reconquest of Peru’. Instead of focusing on shantytowns as problems of the Peruvian society, this approach views the inhabitants as new social agents who would bring changes in the Peruvian society. It also describes the process on how shantytowns have become the centre of social mobilizations based on numerous grassroots organizations. This literature interprets the inhabitants in shantytowns as active social agents rather than passive victims of Peruvian history.

### **1.3: Limitations of Literature and Research Questions**

There are three main limitations and problems identified in the existing literatures, i.e., the units of analysis, erroneous causal relationship, and one-sidedly negative view on the formation of shantytowns. Firstly, all four bodies of literature reviewed in the previous section take Peru or the shantytown in Lima as the unit of analysis. Wallerstein criticizes that many scholars, including sociologists, have described and provided a fragmented picture situating social phenomena in confined time and space and generating conclusions that are ahistorical and temporal (Wallerstein, 2004a:viii-x). This, in consequence, prevents us from understanding the complex meaning of such process in a larger and longer context. Shantytown formation is not solely a Peruvian phenomenon. Rather it is part of regional and global historical process and structure. In other words, shantytown formation is one of the symptoms of the historical process that

continued to cause poverty in the Andean countries. Therefore, the unit of analysis should go beyond the twentieth century and the Peruvian society. According to Deflem, “the institutions, structures, and forms of social interaction that exist at any given time in the social world have a history in that they are a result of previous developments in the social world” (Deflem, 1997). The formation of shantytowns needs to be explained and interpreted by identifying its origin, if there is, and its process of development up to now. Shantytown formation is a multifaceted and ongoing process of “myriad influences, some intended and others unintended, with coincidence and chance along with intersection of various unforeseen social circumstances and forces” (Deflem, 1997).

Secondly, it is undeniable that Spanish colonization process had greatly influenced and transformed the Peruvian society. However, historians, anthropologists and ethnographers failed to ask the most fundamental question in terms of what drove Europe to turn their eyes to the new world, and for what purposes the Spanish landed in Peru. Once again, “the institutions, structures, and forms of social interaction that exist at any given time in the social world have a history in that they are a result of previous developments in the social world” (Deflem, 1997). Understanding the formation of shantytowns in Lima is no exception. We cannot simply set a causal relationship between Spanish colonization and poverty in Peru. Rather, we need to identify the underlying historical process and system that at first pushed Spain and other European countries to explore the ‘new world’. Then, we can get better understanding about “where they fit in the larger scheme of things” and set causal relationship, if there is (Wallerstein, 2004a: viiii).

Thirdly, many theories have been formulated to define this process. And this literature tends to simply define the complex process of this formation as urbanization and residual migration process of marginalized population from the countryside. Instead, this process is an expression and a form of social movement against the underlying exploitive historical structure and continuous subordination of the native Andeans. The outgrowing formation of shantytowns has not only appeared in Peru but also in other Latin American countries including the Andean nations. In addition to that, they evaluate this process as a hindrance or negative process to national development without paying attention to the reason why the vast rural population has come to migrate to Lima. They tend to focus only on the external appearance of this settlement method, ‘illegal land invasion’ as problematic without examining the important social functions of this settlement. More attentive reevaluation of its functions needed to be done. Another important problem identified is that the majority of the studies interpreted the formation of shantytowns as a simple social phenomenon “that are defined in limited time and scope” (Wallenstein, 2004a: viiii). Rather, shantytown formation and its expansion is only one of the symptomatic outcomes of ongoing long-durée, or the long-term systematic feature of the capitalist world-system.

In this paper, therefore, I intend to use a different unit of analysis to understand the trajectory of shantytown formation. By tracing back to the time when Lima was established as the capital city of Peru (the wide area of South America colonized by the Spanish including today’s Peru) in 1532, I would like to situate this process in the longer and larger context of Peruvian social transformation process beyond the twentieth century and beyond the Peruvian society. My research questions are:

- 1) What is the underlying historical process and structure that has led to the shantytown formation in Lima, Peru?
- 2) Whether and to what extent, can the formation of shantytowns be situated in a long-durée anti-systemic historical process against the exploitive historical process and structure of the capitalist world-system?

#### **1.4: Theoretical Perspectives**

In this study, I will work with three main theoretical perspectives to analyze and interpret the shantytown formation in Lima: world-systemic perspective put forth mainly by Immanuel Wallerstein, Karl Polanyi, Terence K. Hopkins, Christopher Chase-Dunn and Andre G. Frank; regional perspective situating Peru in the context of the Andean region and the notion of anti-systemic historical process within world-system perspective inspired by Polanyi, Wallerstein, and Ikeda.

##### **1.4.1: World System Perspective**

The world-system perspective views the world as a whole, emphasizing the “interconnectedness not only of the nations but also of polity, economy, and society” (Ikeda, 1998:1). This perspective was developed as a new way of understanding the world where we live. It also emphasizes “extra-national historical forces” working at regional and global level which influence the whole world (Ikeda, 1998:1). The main argument of this perspective is that there is an underlying historical structure and process of the capitalist world-system that are inter-relating with the structure and process at local level. Moreover, this system has an outreaching impact on every aspect of lives both



national and international. Here, I want to start with main components of this perspective in relation to this study.

### **Unit of analysis**

Based on the problem and the limitation found in the previous studies and literature, it is crucial to take the underlying extra-national historical process as a unit of analysis. Wallerstein asserts that world–systems analysis is a new perspective or a method to better understand how the world has become as it is now. In order to understand a historical process or event, one needs to have the appropriate unit(s) of analysis. Historical events which seem to occur independently in fact did neither just happen accidentally nor independently.

Wallerstein states that attempts to understand historical events independently only allow us to see partial pictures, while we miss their true origins, trajectories and impacts that have had on a society in the larger scheme (Wallerstein, 2004a: viiii). Metaphorically, an attempt to interpret a social phenomenon of parts independently by ignoring its historical trajectories in the whole is like playing with pieces of a puzzle without knowing or having the picture of the whole. As a result, a piece which seems to fit in a certain place can later surprise us when we find out that other piece fits to the place perfectly as compared to the previous one. As such, “part of problem is that we have studied these phenomenon in separate boxes to which we have given special names - politics, economics, social structure, culture - without seeing that these boxes are constructs more of our imagination than of reality” (Wallerstein, 2004a: x).

A social phenomenon does not exist apart from other elements of society, and so does its impact. Such interconnectedness is one of the key features of deciding the unit of analysis. For example, economic crisis that strikes a society could be the outcome of various problems including political situation and more. Economic crisis is neither a cause nor a simple outcome; rather it is one of devastating symptoms and outcomes induced from the existing historical process of the capitalist world-system. These intertwined elements of society influence one another with expected or unexpected consequences. Therefore, when we want to understand a social phenomenon, it is crucial to acknowledge the fact that a society is composed of multiple elements: polity, economy, class, race, culture and more.

Similarly, the world is composed of multiple societies interrelated to each other whether narrow or wide and shallow or deep. Each society has its own path under which the whole world evolves. Missing links that have been found in many previous studies is the results of taking a society, a social phenomenon or a historical event as the basic unit of analysis. We need to pay attention to the world as a whole to which these pieces form parts (Wallerstein, 1976:344).

Against the prevalent way of studying historical and social events that have always taken a society or a state as the unit of analysis, the world-system perspective emphasizes the totality of the states as the unit of analysis. It is to better interpret and understand the “long-term, large-scale social change of the past, present, and forthcoming future” (Hopkins et Wallerstein, 1982:7). To put it in another way, every nation is under world-systemic developmental structures and processes (Ikeda, 1988:4). As to point out the importance of the unit of analysis, Hopkins gives an example why the American

universities failed to answer the inquiries of “why some societies started earlier than others, why some have proceeded much further than others, why (and at what costs) some developed faster than others, and why those currently lagging behind (“developing societies”)”, started in the late 1940’s and early 1950’s (Hopkins, 1982:10; Hopkins et Wallerstein, 1982:42).

Chase-Dunn also shares this idea that we need to pay attention to underlying inter-societal interactions in order to explain and understand long-term large-scale historical transformations of fundamental social structures (Chase-Dunn et Hall, 1993: 851; Chase-Dunn et al, 2000: 77). He states that when we understand this enduring and continuing world-system, we can finally understand earlier, smaller and regional societal structures. The world-systemists insist on the importance of the modern world-system as the unit of analysis instead of ‘national’ units (Chase-Dunn et al, 2000:78).

### **Key Features of the Capitalist World-System**

The world-system researchers identified several key concepts for the analysis of the capitalist world-system, i.e., self-regulating market system, endless accumulation of capital, peripheralization (dependence of the periphery on the core, or exploitation of the periphery by the core) and anti-systemic movements.

### ***World-economy and Self-Regulating Market***

Wallerstein finds that the modern world-system originated in the sixteenth century in Western Europe and the Americas. He asserts that the system that has become truly a ‘world’ system is this capitalist ‘world-economy’ (Wallerstein, 2004a:23). As the

first condition of the capitalist world-economy, the ‘world-economy’ requires a world-wide geographic zonal structure with an international division of labour involving the exchange of “basic or essential goods as well as flows of capital and labour” (Wallerstein, 2004a: 23). Prior to the world-system studies, Polanyi identified that nineteenth century Europe was transformed by the rise of liberal economy where the rising self-regulating market gradually subordinated the society. This market system (self-regulating market) is completely different in its nature from the primitive types of markets. In the self-regulating market system, labour, land and money are treated as commodities even though they were not produced for transaction (fictitious commodities) (Polanyi, 2001[1944]:71, 75). That is to say that “Every element of industry is regarded as having been produced for sale, as then and then only will it be subject to the supply-and-demand mechanism interacting with price” (Polanyi, 2001[1944]: 75). The great problem lays in this metamorphous artificiality of the market system. The commodification of labour, land, and money was accompanied by social degradation in the form of pauperism (in his term) and class conflicts: one of the intrinsic destructive outcomes of the market system (Polanyi, 2001[1944]: 115,218). He asserts that these characteristics are destined to bring out self-destructive contradictions of the market system and that the society will bring about self-protective countermovement. Together with the rise of self-regulating market, self-protection of society comprises what Polanyi calls “a double movement”. This will be discussed later in this section.

### ***Operational Institutions for the Endless Accumulation of Capital***

A world-system had emerged with certain structures, institutions and operational mechanisms that developed into the capitalist world-economy driven by the endless accumulation of capital. The modern world-system has several basic institutions: the markets, the enterprises, the households, and the inter-states system (Wallerstein, 2004a:24).

Firstly, in the capitalist world-economy, free markets (self-regulating markets) are set as a fundamental institution that serves at the endless accumulation of capital. The perfect free market theoretically means “one in which the factors flowed without restriction, in which there were a very large number of buyers and a very large number of sellers, and in which there was perfect information (meaning that all sellers and all buyers knew the exact state of all costs of production)” (Wallerstein, 2004a:25). Secondly, enterprises are the key agents operating in markets producing constant competitions among the enterprises in the same market. Thirdly, households are basic actors of the system that enable workers to sell their labor in the market (Wallerstein, 2004a:23-41). Households are vital agents that constitute the capitalist world-system in order to reproduce capacity of the workers. Households, in essence, provide labourers that are the basic force of production within the system. The workers potentially are the vital counter-agents against inherent problems of the capitalist world-system such as peripheralization and exploitation. Fourthly, one of the crucial and necessary structures in constituting the capitalist world-system is the interstate-system that emerged first in Europe. The modern capitalist system needs to sustain a reciprocal recognition of sovereignty amongst states for smooth transaction of goods, capital and labour to prevent

unnecessary conflicts that could harm the markets. For such matters, states set boundaries, tax and regulations in concession (Hopkins, 1982:12). In the markets all over the world, multiple states provide the constant provision of the overall division of labour between states for the endless accumulation of capital (Wallerstein, 2004a:24). States also play very important role for multinational enterprises by providing better playground for accumulation game (Wallerstein, 2004a:42-50). They are linked to one another through competition and cooperation. Inter-state system, therefore, provides the institutional framework for the endless accumulation of capital.

### ***Peripheralization (Dependency)***

The capitalist world-system is driven by the endless accumulation of capital through international division of labour. In the process of endless accumulation, there emerged the core, semi-periphery and periphery zonal structure (Hopkins, 1982:11, 101; Wallerstein, 2004a: 28-31). Core-nations usually possess the leading industries of the time that require advanced technology with access to resources within and beyond their national border. The core states take dominant position within the system by taking advantage of unequal exchange with the periphery through the plunder of resources both natural and labour (Chase-Dunn et Hall, 1993:863). As a result, weak states tend to follow the strong state to see the possibility of upward mobilization to the core status. In such process, weak states, in general, have little choice to make on their own, and become integrated into the system as politically subordinated and economically exploited. The states that exist between these two are the semi-peripheral states. They are pressured

by both the core states that block them to rise to the core status and the peripheral states that constantly compete with them.

A.G. Frank argues there is a strong interdependent relation between underdevelopment of the Third World and development of the most advanced capitalist countries, the United States and Europe, due to inherent structure and mechanism of the capitalist world-system. He states that “core capital does not simply exist “out there” (quoted by Koo, 1984:35). That is, prosperity of a group of countries brings deprivation of another group of countries within this system. This is due to economic dependency of the peripheral states to the core states. The incorporation of the “new world” starting in 1492 was one of the most important historical trajectories of this dependency. In this process, Frank says, South American countries were incorporated to this system that led to the ‘underdevelopment of development’ of this region (Frank, 1996:17-55). Within the capitalist world-economy, the peripheral states have mostly served as the supplier of raw materials for the core states (Dixon, 1985:173). Their national income was largely dependent on raw material exports to the core. As a result, their fate of economic development is up to the situations of the core states that import peripheral resources. Because of their incapacity of building their own internal markets and industries, they usually take subordinate and dependent position within system that can hardly change. “To this group, underdevelopment is an economically determined phenomenon, created by the realities of the international capitalist system, which locks the Latin countries into a permanent position of causing a similar internal fission within each country between a dominant, modern, urban sector tied to the international capitalist system and a dependent, exploited, rural hinterland” (Malloy, 1972:440).

### ***Anti-systemic movement***

In the process of world-systemic expansion that pursues constant reproduction of ever expanding capital accumulation structures, there resides the fundamental contradiction inherent in the system. In the purpose of developing one single world-wide economy, a single division of labour at international level works within multiple state-jurisdictions. Polanyi asserts that the expansion of self-regulating market in the nineteenth century prepared the collapse of the nineteenth-century civilization in the form of two World Wars when the crucial institutions that composed and supported this civilization such as the gold standard system crumbled one by one (Polanyi, 2001[1944]: 3). The metamorphous artificiality of the market system based on commodification of everything that is not meant for sale brings “the pernicious effects of a market-controlled economy” (Polanyi, 2001 [1944]: 80). As a response to destructive impacts of self-regulating market, Polanyi argues that self-protection of society emerges. In the process of market expansion, various disruptive social deteriorations such as unemployment and class conflict would occur influencing the whole world (Polanyi, 2001[1944]: 95).

### **Working Theoretical Frameworks**

Using the world-system perspective, Peru is treated as a subsystem of the world-system identified by these scholars. Therefore, Peru is one of the subunit of analysis in this study. This study will situate Peru in a larger context such as the Andean region or Latin America within which the capitalist world-systemic processes are observed. It is to see that Peru was never isolated and that what happens in this country is tightly related to the development of this capitalist world-system’s expansion process.



Also, by examining the process of Peruvian transformation within the world-system, this paper will try to see how a particular historical event, shantytown formation in Lima can be better interpreted and understood. Here are some theoretical assumptions for the analysis.

1) There has been constant peripheralization and dependent development in Peru primarily based on natural resource exports under the Spanish colonial rule (colonization). As a natural resources provider, Peru was incorporated into the capitalist world-system within which the Europe played a dominant core role. In this systemic peripheralization and dependent development process, the native Andeans in Peru have always been forced to provide labour to serve the colonial master and national elites, benefitting both Peruvian high elites and the Western countries.

2) There has been a long-durée historical structure and conjunctures, i.e., continuous exploitation of the native Andeans in Peru as labourers. Against such exploitation, there were continuous counter-movements.

3) There have been economic cycles that overlap with hegemonic and political cycles.

#### **1.4.2: Regional Perspective**

In addition to the world-system perspective, this study will incorporate the regional perspective to analyze how a social phenomenon such as shantytown formation in Lima can be explained in the process of world-systemic development. The regional boundary that I set in this study is the Andean countries that the Viceroyalty of Peru covered: the western coast of South America including today's Argentina, Bolivia, Chile, Columbia, Ecuador, Venezuela, and Peru. This area is a part of Spanish-America. This

geographical boundary is needed in order to examine commonality and tension among these countries that share historical Spanish colonization and national independence process.

According to Mahoney, the countries of Spanish America “have maintained their level of development relative to one another” and there is “enduring regional hierarchy” in “the legacy of Spanish colonialism” (Mahoney, 2003:50). He also states that the countries colonized by Spain show similar pattern of volatility in their economic growth with some variations depending on their own paths of development<sup>2</sup>. Especially, the Andean countries that had most abundant natural resources and that were in consequence extensively drained of their resources now show precarious level of economic development (Mahoney, 2003:51). Simply put, the countries (the Andean countries<sup>3</sup>) that served as epicenters of the Spanish colonization process, where the Spanish colonial rule was most penetrated into their societies tended to become “the region’s least developed countries” while the countries served as supplementary or peripheral to the Spanish colonization process where the colonial rule had least penetrated into their societies tended to become “the most developed countries” (Mahoney, 2003:50, 67). Such inverse outcomes began to appear with the decline of Spanish colonization process during the 1700 -1850 period and this period coincides with the War of the Spanish succession that occurred from 1700 to 1713 (Mahoney, 2003:71-72). He asserts that the crucial point to be reconsidered by scholars is that there is a continued pattern in this region that stayed in the same position for almost a century in both regional and international hierarchy (Mahoney, 2003:51). Lange et al share the same

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<sup>3</sup> Referred to Argentina, Bolivia, Chile, Columbia, Ecuador, Venezuela, and Peru.

point that there is an inverse relationship between the levels of development at present and the economic models imposed during the Spanish colonialism (Lange et al., 2006:1412). In that sense, it is indispensable to study the historical commonality shared in this region that included today's Peru. If this region shares the similar historical commonality, i.e., the Spanish colonialism, there has been continuity of underdevelopment and exploitation after their independence. Internal colonization by the colonists that stayed in the country over the natives continued, and after achieving independence in the nineteenth century, the regions that had been subordinated to Spain became subordinated to other European countries such as England and France. In the twentieth century, this region also has become dependent largely on the newly emerged hegemonic power of the world, the United States.

### **Working Theoretical Frameworks**

Using regional perspective, Latin American region, particularly the Andean nations (Argentina, Bolivia, Chile, Columbia, Ecuador, Venezuela, and Peru) will be examined within the world-system. This theoretical framework helps us to identify whether and to what extent systematic structure and process that have been continually influencing and shaping long-durée historical process and structure in this region were maintained and reproduced. It will also help us to understand whether historical similarities, not only systematic processes but also response of people who live in this region in the form of anti-systemic processes. The regional perspective also allows us to examine future prospects to not only for Peru but also to this region in an effort to overcome their current peripheral status in the world. This view will allow us to propose

new interpretation and explanation of why the Andean countries seem to maintain precarious development level and enduring poverty. I expect that through this framework, I can identify continuing patterns that “have characterized national development trajectories” in this region (Mahoney, 2003:52). Wallerstein states that “a country’s mode of incorporation into the capitalist world-economy is the key variable that determines national development outcomes” (quoted in Gereffi et al, 1992:423). Therefore, situating Peruvian case in the region allows us to not only observe common patterns but also rivalry and relationality in the region that shaped Peruvian trajectory.

### **1.4.3: Anti-Systemic Movement Perspective**

#### **Polanyi’s Double Movement**

Polanyi offered an institutional economic analysis of the social transformation of the capitalist societies in the nineteenth- and twentieth-century. Polanyi argued that the self-regulating market system expanded in the nineteenth century and transformed the society to serve the market. In order to protect the society from the harms of self-regulating market, various measures and policies were developed both at the national and international to restrict the actions of markets (Polanyi, 2001[1944]: 79, 136). In other words, while the self-regulating market system developed with ever expanding markets and products, society developed measures to protect it from the self-destructive outcomes of the market system (self-protection of society). The expansion of self-regulating market and the rise of the self-protection of society are referred to as the double movement. For example, trade union movements and the legislation of factory safety act were the examples of the “development of protective measures and policies

against the inherent destructive outcomes of market system to conserve man and nature” (Polanyi, 2001[1944]: 138). Here, it is important to note that such protective measures may not always bring positive outcomes due to the reaction of the capitalists. This is the fundamental dynamics of the capitalist world-system.

### **Wallerstein’s Anti-Systemic Movements**

Anti-systemic movements, the term invented by Arrighi, Hopkins, and Wallerstein (1989), refers to social and national movements against the capitalists that have appeared since the nineteenth century. These movements represent the two prevailing modes of resistance to the destructive features of the capitalist world-system. Social movements, the term also originated in the nineteenth century, refer today to all kinds of movements including workers’ movements, women’s movements, environmentalist movements, anti-globalization movements and any identity-based movements (Wallerstein, 2004a:91, 97). National movements refer to movements that a nation takes its action against another nations that oppress the nation in the form, for example, of colonization, border invasion, violation of national interests and infringement of the rights of its citizens (i.e. independence movements and national right movements) (Wallerstein, 2004a:96).

According to Wallerstein, the first phase of anti-systemic movements had originated in the 1848 World Revolution. It is thought as the first true revolution initiated first by the urban workers in France followed by other social revolutionary actions in other countries. It also represents the advent of a tripartite ideological division into conservatives, liberals and radicals (Wallerstein, 2004a:63-64). The liberal programs

were adopted in the core countries since the 1848 World Revolution, accompanied by the rise of national movements. Anti-systemic movements also took the form of struggle for inclusion by the excluded groups of people in the form of class struggle (Wallerstein, 2004a: 67-68).

The second phase of anti-systemic movements is demarcated by the 1968 World Revolution. The largest expansion of the world-economy after World War II brought a great imbalance between the core and the periphery in the capitalist world-economy. Compounding frustrations in the periphery, the failure of the traditional union and leftist movements, and opposition to U.S hegemony culminated in the World Revolution of 1968 (Wallerstein, 2004a: 84). General economic contraction experienced in the world from the 1970s onward laid an idea that the capitalist world-system is facing its structural crisis. Wallerstein asserts that increasing level of world-wide anti-systemic movements is a testimony of the structural crisis of the capitalist world-system. The success or failure of these anti-systemic movements is dependent on whether various movements could find their common ground and gain sufficient strength to bring transition of the modern world-system to another (Wallerstein, 2004a: 70, 89).

### **Ikeda's Notion of Anti-Systemic Historical Process**

Ikeda expands the concept of anti-systemic movement which is the movements of the oppressed to challenge the oppressor into anti-systemic historical process that obstructs the reproduction of destructive capital accumulation structure within the capitalist world-system (Ikeda, 2002:104). In other words, anti-systemic movements are part of the anti-systemic historical process that deepens the contradiction

of capitalist accumulation when the oppressed people challenging the world-systemic structure of accumulation/oppression. The three major anti-systemic processes from the nineteenth century to the first half of the twentieth century were intracore rivalry, colonial independence movements, and socialist movements. In parallel, Ikeda states that the pro-systemic historical processes continue to reproduce the world-system by responding to these anti-systemic processes. Following Polanyi, Ikeda views that the basic feature of the world-system is the tension between anti-systemic and pro-systemic movements and between their interactive and parallel development. According to Ikeda, the socio-political-economic structure is “a collection of reproductive processes involving those agencies promoting the existing power relations and those agencies opposing them, as well as social relations of exploitation/accumulation and subordination/subjugation” (Ikeda, 2002:103-123). By combining Polanyi’s concept of double movement and Wallerstein’s anti-systemic movement, Ikeda expects that destructive contradiction in the capitalist world-system would bring anti-systemic movements powerful enough to change the on-going pro-systemic processes leading to a shift in the existing historical structure into a new historical structure.

### **Working Theoretical Frameworks**

- 1) Shantytown formation and expansion could be interpreted as a form of Polanyian double movement, and Wallerstein’s anti-systemic movement.
- 2) The Peruvian society has responded to exploitation and marginalization, or developed measures and policies for self-protection, and there have been the outcomes of these measures at the national, regional and international levels.

3) Based on the notion of Ikeda's anti-systemic process, shantytown formation and growing political expression of their inhabitants in shantytowns could be interpreted as an anti-systemic process against the destructive contradiction of the existing system.

### **1.5: Methodology**

The purpose of this research is to identify the long-durée historical process of shantytown formation and expansion in Lima. For that purpose, I primarily use the method of historical sociology developed by Hopkins and Ikeda based on Polanyi's contribution in socio-economic historical analysis.

To begin with, I would like to introduce what Hopkins and Ikeda consider as central issues for the method of historical sociology. In order to understand a long-term large-scale historical process and structure, Hopkins suggests a method that requires three movements. Firstly, we need to move from the abstract to the concrete in terms of "how to descend from the concepts to the observations" and "how to ascend from observation by conceptualizing" (Hopkins, 1982:146). Secondly, we need to know how to situate ourselves in certain period of time and space "in relation to our subject matter" (Hopkins, 1982:147). Thirdly, we need to identify agents that are formed and reformed within a long-durée historical process and conjunctures. For example, the capitalist world-system would be a long-durée historical process and the changing division of labour, core-periphery formation, rise of anti-systemic rebellions, etc. is conjunctures under the capitalist world-system. As a methodological device, an appropriate unit of analysis is the capitalist world-system rather than its parts such as the Peruvian society. Ikeda then offers the methodological devices that are conceptualized as three tensions, i.e., between



parts and totality, that between structure and process, and that between history and theory (Ikeda, 1998:3-4).

To make a historical inquiry and better understand its ongoing historical trajectory, I propose five different time periods within the capitalist world-system as an underlying long-durée, large scale structure and process: European economic expansion process and Spanish colonization from 1532 to 1824; double-colonization process from 1824 to 1914; the World Wars and the world economic crisis from 1914 to 1968; self-actualization of the oppressed from 1968 to 1980; double-peripheralization of the Andeans under neo-liberal globalization from 1980 to present. Each period will be analyzed by paying attention to crucial historical events and transformation. The period starting in 1532 was chosen because it is thought as the time of incorporation of Peru into the world-economy. In addition to that, this was the time that Lima was established as a new capital city of Peru, the colonized territory of Latin America by Spanish. The second period of time was chosen because independence was a starting period when colonial rule was replaced by post-colonial subordination of Peru to Europe, and since independence, the creoles, the newly risen elites in Peru that evolved from colonial elites, started intra-national colonization of Andeans. In this sense, it was double colonization. The third period was chosen because this was the time when Peru was influenced by external agencies leading to great changes in Peruvian society. The fourth period was chosen because this was the time when the shift of power in Peruvian government has occurred, leading to an awakening of the groups of hereto oppressed people, i.e., the Andeans in the shantytowns in Lima. Finally, the fifth period was chosen because this was the time when world ideology has shifted to neo-liberalism that also greatly influenced Peruvian society.

These periodizations provide a comprehensive understanding of the multiple historical factors and the local, national and international agencies that influenced Peruvian society through its historical development and transformation.

In order to situate and interpret shantytown formation in Peru and in other Andean nations on a long-term, large-scale historical process and structure across space and time which have shaped contemporary realities, historical analysis will be done from the collection of various materials: scholarly books, journal articles on history of Peru, national and international official reports on Peru and numerous periodicals. Secondary documents will be collected and analyzed in order to provide brief historical interpretations together with historical facts and evidence necessary for this study.

Analysis will be done central to three theoretical frameworks: world-system perspective, regional perspective and anti-systemic historical process. The existing studies of Peruvian history and society will be analyzed to derive a narrative account of shantytowns formation and expansion using the methodological devices suggested by Hopkins and Ikeda, both transformative and cyclical, with careful attention paid to expected and unexpected consequences of the actions taken by the historically existing agencies both internal and external: the states, foreign capital, interest groups, community organization, etc.

## **CHAPTER II.**

### **European Economic Expansion and Spanish Colonization Processes**

**(1532-1824)**

#### **2.1: Background**

The capitalist world expansion through the modern world-system was accelerated through European colonization, expanding international division of labour and transaction of products and capital around the world. European countries turned their eyes toward exploring undiscovered lands full of natural resources and native inhabitants who could provide cheap or even free labour. It was this time when Christopher Columbus from Spain travelled across Atlantic to find the new world in the late fifteenth century. After several great successes brought by opening new trade routes and establishing colonies, full scale exploration of the new world commenced (Payne, 1973: Chapter 13). By this time, Portugal had already begun to explore and opened a route around the Cape of Good Hope into Indian Ocean to obtain remunerative position in order to compete with other European empires (Payne, 1973: Chapter 12). The Castile, the Spanish monarchy, began its action to build colonies in the Caribbean and Latin American areas starting with its first colony in Cuba in the late fifteenth century (Payne, 1973: Chapter 13). As a measure to prevent potential dispute between Portugal and Spain in terms of building their colonies in the Caribbean and Latin American region, the Line of Demarcation as the Treaty of Tordesillas was drawn by Pope Alexander VI in 1493 that allocated west and “south of a north-south line drawn 100 leagues west of the Azores and the Cape Verde Islands” to Spain and east of that line to Portugal (Reynolds, 2002:

Paragraph 6; Steinberg, 1990: Paragraph 1). Among the Caribbean and Latin American colonies of Spain, Peru was one of the first built, and involuntarily integrated into a capitalist world-economy through Spanish expansion and colonization.

An important remark is geographical boundary of the Incas of Peru that shifted with time. In 1500s, when the Spanish explorers arrived, the Incas ruled over “now Peru and Ecuador, as well as parts of Chile, Bolivia, and Argentina”<sup>4</sup>. The official name ‘Peru’ was given by the Spanish Crown replacing the Inca Empire as the Crown established the Viceroyalty of Peru in 1542, a Spanish colonial administrative district. The name ‘Peru’ was originated from a word ‘Biru’, the name of a local ruler who was at first contacted by the Spanish explorer at Panama (Porrás, 1968:83-87). This was also the time when Lima became the capital city of the Viceroyalty of Peru. The Andean area in general covers a vast highland along the western coast of South America including Argentina, Bolivia, Chile, Colombia, Ecuador, Venezuela, and Peru. Taking the shifts of geographical boundary into consideration, the term Peru refers to in this study the Latin American area under Spanish colony until the time of Peruvian independence and the territory under the Peruvian government jurisdiction since independence. The native Andeans refer to people who resided in areas in contemporary Peruvian territory. The Andeans refer to people in the Andean region or countries including Argentina, Bolivia, Chile, Colombia, Ecuador, Venezuela, and Peru.

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<sup>4</sup> Chapter 1: The First People, p.6, <http://us.penguin.com/static/html/cig/pdf/0028644646.pdf>

## **2.2: The Arrival of Spaniards and Reaction of Inca Society**

In the early sixteenth century (1527-1528), Spaniards who heard of the Inca's great civilization and wealth arrived in Peru as explorers financed by the Spanish Crown. Huayna Capac, the Inca emperor at that time, first considered these Spaniards as usual merchants and treated them without any suspicion (Kubler, 1945:413-414). Years later (1531), Francisco Pizarro, a Spanish conquistador received permission to explore Peru by the Crown, and arrived in highlands of northern Peru, Cajamarca. His mission was to ultimately demand the Incas to conclude a treaty with Spain (Klaren, 1992: Chapter 1; Kubler, 1944:253). The sudden death of the Inca emperor, Huayna Capac, due to diseases of Spanish origin caused tension between his two sons, Huascar and Atahualpa. Atahualpa attempted to challenge Huascar's position as presumed successor. The Inca Empire was engulfed in an unexpected civil war and the division of Inca Empire between these two sons fighting over succession (Klaren, 1992: Chapter 1; Kubler, 1944:253; Kubler, 1945:414; Werlich, 1978:38). By this time, Atahualpa was governing Quito area and Huascar was governing Cuzco area. This unexpected civil war and division of Inca Empire gave Pizarro an easy path to succeed in his mission by playing both ends against each other. Atahualpa, who was suspicious of the relation between Huascar's party and Pizarro, took the risk of inviting Pizarro to dine with him to test Pizarro's real intention. However, Pizarro used this chance to capture Atahualpa with his forces of 20 assailants fully equipped with powerful arms (Kubler, 1945:417,419; Werlich, 1978:39). Atahualpa became his prisoner and was executed in 1533. Pizarro succeeded in fooling both sons and had them killed, leading to the dismantlement of the Inca Empire. Already weakened, the Incas had no power to fight against the expansive

dynamics of Spanish colonial plans and policies (Kubler, 1945:422). As a result, Inca society lost its sovereignty to the Spanish Crown (Kubler, 1944:254). The Spaniards quickly ravaged treasuries of the Inca Empire. As a tactic, Pizarro chose Manco Inca, another son of Huayna Capac, to keep the traditional social structure of Inca Empire, not to perplex the Andean population. This also minimized their hostile reaction to foreign invaders (Kubler, 1944:254).

Yet, two Inca successors' deaths and assaults of Andean women by the Spaniards had already begun to cause wrath amongst natives (Kubler, 1945:426). Manco Inca who first seemed to be cooperative in accepting the Spanish rule later reversed his stance by committing to lifelong hostility and organizing ceaseless revolts against the Spanish rule (Kubler, 1944:254-255). This caused many problems to Pizarro's plan. In 1535, Lima was established as the new capital of Peru (Werlich, 1978:41). Substantial revolts occurred between 1536 and 1537, but failed to send the Spaniards home due to lack of organizational skills, tactics, arms and knowledge about the enemy (Kubler, 1944:262-4). Around the late 1530s, Manco seized Cuzco to build an independent neo-Inca state which became the centre of continuous resistance against the Spanish rule lasting until 1572. As another strategy, Manco also decided to use Almagro, another conquistador and Pizarro's rival, as an ally. However, his real purpose was to create tension between Almagro and Pizarro that would destroy them both. However, Almagro had his own purposes of destroying both Manco and Pizarro while Pizarro had his own purposes of destroying Manco and Almagro (Kubler, 1944:265). There existed conflicting interests and conspiracies. In the middle of a crumbling society, natives had to compromise and to accept changes brought by the Spanish colonial rule slowly. Until

Manco's death in 1545, he succeeded in slowing down colonization process of highlands of Peru. Paullu, one of the descendants of Huayna Capac, who formed division and tension with Manco as between Atahualpa and Huascar in the past, was chosen as the next Incan leader by the Spanish Crown in 1544 (Kubler, 1947:193). Other descendants of Huayna Capac continued to organize rebellions against the Spanish rule and exploitation of its population and treasuries until 1548 when Sayri Tupac decided to accept the Spanish rule (Kubler, 1947:193). By this time, Spanish no longer maintained Incaship even as an ostensible title. Yet, several trials of establishing and restoring Incaship were made by the descendants of Inca.

The native Andeans, even without their leader and state, persistently resisted Spanish religion, customs and their violent exploitation. This resulted in difficulties for the Spanish to consolidate colonial rule in Peru. In 1572, one of the famous rebellions was organized by Tupac Amaru I, the last reigning Inca leader, in response to the Spanish colonial rule that systematically put "the natives and their culture to an inferior position within society, sowing the seeds of the "Indian problem" (Werlich, 1978:41). It later greatly influenced a series of massive "Indian uprising", also called Tupac Amaru II, from Cuzco to La Paz, Bolivia and further into the 1730s (Werlich, 1978:48). Uncompromising and persistent rebellious movements resulted in not only slowing down Spanish colonization process in the Andean region but also influencing the Spanish colonial policies (Kubler, 1947:189). Yet, there was a devastating population collapse caused by new diseases brought by the Spaniards. This, in consequence, eliminated the chance to fortify and continue their rebellion against the Spaniards. This devastating demographic breakdown was not reversed until the late 18<sup>th</sup> century.

### **2.3: Institutional Colonial Systems**

Under Spanish colonial rule, Peru provided Spain with raw materials, like silver and gold as well as cheap labour. In the meantime, Lima, a newly established capital away from Cuzco, the ancient capital of the Incas, became the centre of administrations, economy and politics. Lima was located at the coastal shores that allowed easy access for the Spaniards. For the Spaniards, Lima was also the best place to activate and consolidate trade route for both inflows and outflows of goods using docks built at shores (Klaren, 1992: Chapter 1). It brought over a concentration of wealth, services and administration to Lima where high-ranking Spanish officials settled. All other areas were used for the extraction of minerals and the exploitation of labour. The Andean population remained mostly isolated in the highlands and mountains as non-paid workers, and they were also forced to pay tribute taxes (Klaren, 1992: Chapter 1). In the process of establishing its colonial rule over Peru, the Spaniards controlled the land and products produced from the land by the natives. These products were used for extending the Spanish mercantile economy (Kubler, 1945:426). In the process of expansion of its colony, viceroys sent by the Spanish Crown took the responsibilities of managing goods, and the Andean population to secure continuous provision of minerals and labour for the expansion of Spanish colonies. To expand and compete with other European nations, Spain needed to fortify and maintain its military, administrative systems and institutions. Thus, it was vital to maintain continuous production of minerals such as silver, gold, etc. from its colonies including Peru (Faron, 1966: 147-148).

The Spanish implemented several systems for systematic exploitation from colonies such as the *encomienda*, *repartimiento*, *reduccion*, *mita* and *corregimiento*



systems (Faron, 1966:148). The *encomienda* (*encomendero*) system was one of the first systems created in the early sixteenth century. It allocated titles of land and labour to high-ranking officers, churches, and even the Spanish Crown (Faron, 1966:145,147). It was allotted as a reward to encourage the Spanish settlers who played important role of consolidating and expanding colonies. People, who were given allotments of land and labour, called *encomenderos*, had to give part of products as tribute to the Spanish Crown. The majority of highlands were allocated by the *encomienda* system by 1560's.

The *mita* system was used to manage labour by setting labour hours in the most effective way possible to maximize the revenue. At first, *mita* was set to twelve hours a day and five days a week which was later violated and no longer maintained (Faron, 1966:150; Werlich, 1978:43-44). Sometime later when colonization process had developed, there were conflicts between interest of the Spanish Crown and *encomenderos* to maximize their own profit by occupying large territory. These Spanish settlers often violated the *mita* system causing severe overworking hours in poor condition in terms of treating and managing Andean labourers (Faron, 1966:150; Werlich, 1978:43-44). This later brought significant concern to the Spanish Crown that resulted in temporary stop of *mita* system. The Spanish Crown enacted the New Laws (Nuevos Leyes) "for the good treatment and the preservation of the Indians" in 1542 to control Spanish officers (Werlich, 1978:43). The Spanish Crown also tried to control growing power of *encomenderos* by ceasing their privileges and inheritance (Faron, 1966:150).

Official prosecutors for doing this assignment were called *corregidores* who took care of *encomiendas* for the Crown, the *corregimientos* were reverted lands taken away from *encomenderos*. *Corregidores* received help from native local elites called

*curacas* who acted as mediators between the native Andeans and the Spaniards from early colonial time. Corregidores worked with both local and Spanish elites (Klaren, 1992: Chapter 1). Nevertheless, as demand for labour increased in response to growing *encomiendas*, the Spanish Crown had to implant amended *mita* system. Andeans who laboured for *encomiendas* were called *mitayos* and received “just wage” to pay tribute and to provide their basic needs (Werlich, 1978:43). As mentioned above, it was even hard to provide their basic necessities for Andean labourers (*mitayos*) with “just wage” and some had to overwork until death (Werlich, 1978:44). Every adult male Andeans became *mitayos* and when males in a household could not supply their needs, women and even children had to become *mitayos* offering services working as maids.

One of other institutional colonial systems used as a vital measure of controlling Andeans was called *reduccion*. It was a system developed by Viceroy Toledo indicating a process of locating natives to centralized and concentrated settlements from scattered and spread settlements. By the end of sixteenth century, Andean population began to drop drastically and population decrease lasted until the second half of the seventeenth century as shown in Table 1 (Klaren, 1992: Chapter 1). Population decrease was brought by malnutrition and overwork in terrible environment especially in mines and mineral refining factories, and diseases introduced by the Spanish settlers. When an epidemic hit, institutional colonial systems, especially the *reduccion* system, played great part in the fast and drastic decline of Andean population that in turn resulted in reduction of revenue and crisis of Spanish colonial expansion plan.

**Table 1. Annual population change in Peru, 1530-1570**

Year	Total Population	Annual Population Change	Percentage of Change
1530	16,000,000	- 2,285,714	- 7.1
1548	8,285,000	- 428,611	- 2.6
1570	2,738,500	- 252,114	- 3.0

Source: Based on information from Henry F. Dobyns and Paul L. Doughty, *Peru: A Cultural History*, New York, 1976, 298-99; and Peru, Instituto Nacional Estadontica, *Poblacion total proyectada al 30 junio de 1990*, Lima, 1989,67.

All these problems were aggravated by early colonial policies and *encomienda* demanded a new policy developed in the second half of the sixteenth century in order to better manage lands and labourers (Faron, 1966:165-166). *Hacienda* was a new title used instead of *encomienda* to indicate plots of arable land and ranches to promote wool industry (Faron, 1966:169). Large *encomiendas* controlled by previous *encomenderos* were taken away by the Crown as they no longer supplied revenue for the Crown by the decline of Andean population. As a result, the Crown had to find other resources to provide continuous revenue, and the colonial rules started to bring in black slaves along with *mestizos*: racial mixture between natives and Spaniards, to compensate labour shortage. *Haciendas* established in this period lasted until present days in Peruvian highlands.

#### **2.4: The Composition of Hierarchy in Colonial Peru and the Emergence of New Class and Ethnicities**

Since the arrival of the Spaniards in Peru, there was a huge change in social classes with the emergence of new classes and ethnicities. Firstly, the Spanish settlers

become a new group of elites in Peru. They were mostly sent by the Crown as officers to help him manage and consolidate the colony. As rewards and compensations, the Crown granted lands and native labour assigned to through the encomienda system. They had become encomenderos extending their estates by exploiting Andeans to accumulate their wealth and power. After Lima was established as the new capital city where the ruling classes could benefit from administrative and other services, most of the encomenderos left the highlands and moved to Lima while maintaining the control of their land by forming neo-feudal types of aristocracy and landlordism (Klaren, 1992: Chapter 1). The Spanish settlers who landed in Peru were usually not high-rank officers in Spain who experienced systematic exclusion in Spain, and they were joined later by the descendents of these settlers who were born in Peru. They were discriminated by the Spanish who were born in Spain (Burkholder, 1972:395). As well, they would be discriminated with limited chance to obtain higher status in Spain. As a result, they chose to reside in Peru where they could obtain superior position over the natives. From the late sixteenth century, the Spanish settlers, also called the creoles, started to defy the Spanish Crown making it difficult for Spain to maintain its colonial rule in Peru. Violation of colonial policy to protect and preserve Andeans had become their common exercise (Faron, 1966:150). As a result, the native Andeans had to fight against not only Spanish colonial exploitation but also the creoles who took total power of Peru. In fact, independence movement in 1824 was not invoked by the Andeans but these creoles who wanted to guarantee and maintain their privileged positions as rulers of Peru against Spain. To keep a strict watch on them, the corregidores emerged. Their main tasks were to preserve natives and collect tribute from encomenderos (Werlich, 1978:47).

Thirdly, there emerged the Andean native elites who acted as mediators between native Andeans and the Spaniards from early colonial time. They were called curacas who often worked for corregidores (Klaren, 1992: chapter 1). They were rewarded their privileged position by allying with the Spanish settlers. Some of them were mestizos who were biologically mixed between the Spanish and natives. They used their advantageous position of speaking both Spanish and native languages such as Quechua and Aymara. However, by the early seventeenth century, those native elites who were influenced by *Commentaries of the Inca* urged a restoration of royal Inca, the text to support, arose and spread Inca nationalist movements which later influenced nationalist movements in La Paz, Bolivia. The Spanish settlers including encomenderos and corregidores were mostly white composed the upper-class. And the government bureaucracy, religious officials at churches and merchants mostly composed the middle-class. Andeans composed of the bottom of the colonial hierarchy.

### **2.5: Crisis in Spanish Colony in the Seventeenth Century**

From the second part of the sixteenth century, vast amounts of silver and other minerals were extracted from the mines in Peru. Peru became one of the central reservoirs of natural resources for Spain (Klaren, 1992: Chapter 1; Werlich, 1978:53). However, entering the early seventeenth century, silver mining began to decline along with the decline of Lima as the central area of Spanish colonies (Klaren, 1992: Chapter 1; Werlich, 1978:53). Spain's great wealth obtained through colonization was mostly spent to maintain its military to compete against European rivals and defend Spain's position in the interstate system. Such huge expenditure on military in turn harmed their internal

markets. It resulted in increasing prices of Spanish goods, causing the loss of their competitiveness in European markets, which in turn reduced Spain's export revenue to pay for imported goods from outside (Payne, 1973: Chapter 15). Economic decline directly brought a snowball effect of political, military, social decline in both Spain and its colonies. The situation was aggravated by plague, floods, drought, and war with France from 1667 to 1668 (Payne, 1973: Chapter 15). Economic decline was counteracted by new policies of the Spanish Bourbon called the Bourbon Reform in 1776, and by the revival of silver mining industry in Peru between 1730 and 1770 (Fisher, 1969: 430; Klaren, 1992: Chapter 1). By this time Andean population also started to grow after the population acquired resistance to diseases, and the population of mestizo, a newly emerged ethnicity, also increased as shown in Table 2. The population dropped to 2.7 millions in 1570, but it recovered to 3 million in 1650. However, after fluctuating drop and recovery, population entered the increasing phase by 1796 (See Table 2) (Klaren, 1992: Chapter 1). Unlike the population of entire Peru that experienced continuous fluctuation of population, Lima experienced steady population growth from 24,441 in 1614 to 55,627 in 1836 (See Table 3).

**Table 2. Total Population and Annual Population Change in Peru, 1570-1825**

Year	Total Population	Annual Population Change	Percentage Change
1570	2,738,500	-252,114	-3.0
1650	3,030,000	3,644	0.1
1796	1,076,122	-13,382	-0.5
1825	2,488,000	48,685	4.5

Source: Based on information from Henry F. Dobyns and Paul L. Doughty, *Peru: A Cultural History*, New York, 1976, 298-99; and Peru, Instituto Nacional Estadontica, *Poblacion total proyectada al 30 junio de 1990*, Lima, 1989,67.

**Table 3. Total Population and Annual Population Change in Lima, 1614-1836**

Year	Total Population	Annual Population Change	Percentage Change
1614	24,441	n.a	n.a
1700	37,259	126	0.5
1796	52,627	160	0.4
1836	55,627	75	0.1

Source: Based on information from Henry F. Dobyns and Paul L. Doughty, *Peru: A Cultural History*, New York, 1976, 298-99; and Peru, Instituto Nacional Estadontica, *Poblacion total proyectada al 30 junio de 1990*, Lima, 1989,67.

In the late eighteenth century, with stagnation of revenue from Peru, Spain started to concentrate in other areas in Latin America for revenue creation and created new viceroalties in the River Plate in Buenos Aires and New Granada in 1776 as a measure of the Bourbon Reform (Werlich, 1978:54). In consequence, the economy of Peru, especially that of Lima which lost the position of the major mode of the market economy of Latin America, experienced a drastic decline. As Spain's dominance extended to Venezuela and Argentina, the privileges of monopolistic position Lima had enjoyed in South America as the centre of Spanish colonization was taken away (Klaren, 1992:

Chapter 1; Werlich, 1978:54). This represented a particular nature of the capitalist system that always looks for cheaper labour and better place to maintain and maximize the revenue. In the middle of this reform process and power struggle under capitalist expansion, it was the Andeans who suffered the most from the deteriorating internal and external conditions. The Bourbon Reform increased tribute tax imposed on the native Andeans whose lives were already terribly deteriorated. Rebellions and uprisings started as a result. The rising population of Andeans and mestizos in the late eighteenth century also prepared the condition for popular uprisings (Klaren, 1992: Chapter 1; Werlich, 1978:55). Against social disruption, five peasant resistances arose in the 1740s, eleven in the 1750s, twenty in the 1760s, another twenty in the 1770s and peasant resistances reached their peaks in 1780. Jose Gabriel Condorcanqui, one of the Inca descendents known as Tupac Amaru II among the Andeans, organized an armed movement composed of the Andeans in Cusco known as ‘anti-white’ manifestations (Campbell, 1976:31). This did not last long as he was captured in 1782. However, his death lit ‘the flame of rebellion’ (Campbell, 1976:49). In addition to these rebellions, Spain went through the Seven Years’ War with Britain and was badly defeated.

## **2.6: Show Signs of Independence, 1808-1824**

Spanish Bourdon that replaced Spanish Habsburg learned that the creoles officials prevented the effective control of the colonies from the Crown’s point of view. In order to secure colonial rule, Spanish Bourbon implemented anti-creole policy as one of the principal measures of the Bourbon reform. High ranked positions taken by the creoles, the white-born in America were replaced by the peninsular Spaniards, the



Spanish-born whites (Burkholder, 1972: 395; Werlich, 1978:55). The replacement process began in the *audiencia*, a high court of justice where the majority of seats were taken by the creoles (Burkholder, 1972:395; Werlich, 1978:55). As the numbers of seats and positions were taken away from the creoles and replaced by peninsulares, there was growing antipathy among the creoles that had experienced exclusion from the Spanish high office throughout the colonial period. Peninsulares were asked to report corrupted creoles (Burkholder, 1972:403). In 1804, there were only two creoles left in the *audiencia* of Lima (Burkholder, 1972:397; Campbell, 1972:1). The creole aristocrats who were established throughout the colonial period by forming aristocrat families in Lima started to prepare to take their wealth and power away from the Crown (Campbell, 1972:20). In the meantime, Napoleon Bonaparte launched his project to conquer all of Europe from 1796 (Payne, 1973: Chapter 19). In 1808, Napoleon made the Spanish Crown resigned from its throne. As a consequence, Spain lost its control in its colonies giving the creoles in many of its colonies the opportunity to establish their own independent governments from the Spanish Crown. Transition from Spanish colonial rule to independent Peruvian states proceeded as the Andeans revolted repeatedly and antipathy toward the Spanish Crown spread among the creoles that were greatly influenced by enlightenment movement and the French and American revolutions. Spanish war engagements caused inner disorder, and independence movements started to rise sporadically in Spanish colonies (Werlich, 1978:58).

In 1814 when Napoleon's grand project collapsed, Ferdinand, the new Spanish Crown, began a campaign to stop independent movements in his colonies and to restore his position. However, his ill-timed and harsh campaign against independence

movement resulted in the escalation of the creoles' demand for relative autonomy and guaranteed privileges to complete independence from the Spanish Crown, resulting in "the erosion of Spanish authority in the Americas" (Blaufarb, 2007:742). These national independence movements in the areas that comprised the Viceroyalty of Peru brought the establishment of contemporary Chile, Colombia, Ecuador, Bolivia, Paraguay, Uruguay, Argentina and Peru. Among these countries, Peru was the last territory that the Spanish force controlled and Peru's national independence was delayed until the end. In 1814, General Jose de San Martin of Argentina declared independence on behalf of Peru (Werlich, 1978:60). However, his purpose was not purely to support Peru to achieve its independence. Rather, Martin wanted to use Peruvian independence for his ambition to control Peru (Anna, 1974:657). He also believed that he could use Lima as his base of economic control without knowing the actual economic state of Lima on the verge of bankruptcy (Anna, 1974:660).

To accomplish independence, the Spanish army who still stationed in Peru had to go. General Jose de San Martin supported Chile to establish independence in 1817 (Werlich, 1978:60). In 1820, San Martin attempted to transform the Peruvians by declaring that they were no longer slaves. However, his attempt ended in a failure due to the failure in organizing his forces and the defeat of the citizens of Lima by the Spanish forces. When he tried to establish his leadership in Peru, the Peruvians became fearful of the possibility of replacing Spanish colonial rule by another outsider. Thus, Peruvians became hostile to San Martin. San Martin therefore resigned his position and left for Chile. In 1823, the Peruvian congress elected Jose de la Riva Aguiro as the first president of Peru but he was soon replaced by Torre Tagle. Torre Tagle felt threatened by Bolivar

that had powerful army. Bolivar tried to establish his own regime in Truhillo region in Peru, and Tagle formed an army with the support of the Columbians and attacked Bolivar. However, victory was Bolivar's.

## **2.7: Summary of Analysis**

Once, Peru was incorporated into the capitalist world-system by the Spanish in the sixteenth century, its historical trajectory became intertwined the complex international, regional, and national processes involving transforming economy, polity and society, affected one way or the other by the processes of the capitalist world-system.

The first crucial historical event during the early colonial period was the incorporation of Peru into the capitalist world-system by the Spanish in the early sixteenth century. Within this process of world-economic expansion, Peru became a supplier of silver and other minerals as well as cheap labour to Spain. According to Wallerstein, the capitalist world-system incorporated world-wide geographic zone and created an international division of labour involving the exchange of “basic or essential goods as well as the flows of capital and labour” (Wallerstein, 2004a:23). Also, this division of labour assigns different functions to a nation or region serves in the system, creating a core, semi-periphery and periphery zonal structure. In this process of international division of labour, Peru became a provider of raw material and labour, making Peru a periphery together with other colonies in this period. However, amongst the peripheralized areas, Peru (the area that became the independent state of Peru) became a core-like area when Spain decided Lima to be the colonial central and to be the “metropolitan country”, of Latin American colonies. The Spanish used Peru for the

development of markets based on its richness of minerals and labour in the beginning of colonization (Wallerstein, 2004a:56). Since the colonial period, Peru became extremely dependent on Spain that directly influenced the Peruvian society and its role within the Spanish colony in Latin America. Here, as Spanish colonial rule greatly influenced the entire Peruvian Society, the Peruvians also greatly influenced the Spanish colonial rule. However, hostile reactions and fierce rebellions organized by the Andeans had slowed down the colonization process.

Also, when the unexpected decline of Andean population occurred, the Spanish had to bring in black slaves to compensate labour shortages. This influenced the ethnic composition in the Peruvian society later. Another point that is worth noting is the emergence of the creoles who turned out to be the problems for both the Andeans and the Spanish Crown. The creoles exploited the Andeans to the extent to cause the decline of the Andean population against the will of the Crown that wanted to preserve the population. The creoles also used their privileges and geographical distance from Spain to cause trouble for the Crown and deterred the effective colonization process. These conflicts also encouraged the Andeans to engage in constant rebellions against the creoles, and this also prevented effective colonization by the Crown. The Crown had to modify colonial institutions to respond to these problems and later ordered to eradicate the creoles from its colonial institutions by removing them from their privileged status and replacing them with peninsulares. Excluded and threatened, creoles started to ferment their ambition to establish a government independent from the Spanish Crown.

The second crucial historical event during the late colonial period was the decline of Spain in relation to other core European nations and changes in the conditions

of its colonies. By constantly engaging in wars in order to protect and maintain its power in Europe, Spain had to spend too much money on its military, resulting in the deterioration of the internal market in Spain. This deterioration of the internal market in turn led to an increase in the prices of goods in Spain. This coincided with the decline of population in its main colony, Peru, and the decline in silver production forced Spain to borrow money from other European nations. When Spain was no longer able to pay its debts, France provoked the War of Devolution from 1667 to 1668. Losing its competitiveness in the international market, Spanish economy started to decline, directly affecting its political, military, social rule in both Spain and its colonies. As in the late eighteenth century, when stagnation of its economy continued, Spain created new Viceroyalties in the River Plate in Buenos Aires and New Granada in 1776 as a part of the Bourbon Reform in an attempt to increase its revenue. As a consequence, the economy of Peru, especially that of Lima where all the flows of goods between Spain and Latin America were centralized, had to experience a decline.

Spain's overseas expansion project transformed the Inca society during the European economic expansion process. The sudden death of Inca emperor, Huayna Capac, due to foreign diseases brought by the early Spaniards and the subsequent civil wars between the two successors of Inca were unexpected historical events which made it easy for the Spaniards to invade and colonize. Spanish competition with other European nations cost Spain a huge sum of money on its military and the colonial population declined in its colonies due to diseases and terrible working conditions. The emergence of the creoles, which was part of Spanish colonization process, served as an unexpected

development that later caused the Crown to amend colonial rule regarding both the Andeans and the creoles.

The downturn of Spanish economy caused by multiple elements in the process of economic expansion led to inflation in Spain, leading to social strains in both Spain and its colonies. As a response, Spain created new Viceroyalties in the River Plate in Buenos Aires and New Granada for the possibilities of opening and expanding markets. Constantly seeking possibilities to extend and open new trade routes and markets is one of the main characteristics of capitalist world-system. The establishment of new viceroyalties was a great example. Napoleonic project that followed the defeat of Spain was an example where competition to monopolize power led to an elimination of less powerful nations in Europe. On the other hand, the creoles in the Andean nations including Peru took the decline of Spain and increasing tension among the European core nations as a golden opportunity to push independence movements. These opportunistic actions brought about unexpected historical events and the transformative historical processes of the system.

The patterns of development in the capitalist world-system from the early sixteenth century (1500s) to the early nineteenth century (1800s) showed that the incorporation of Peruvian society into the world commerce by the external agent, the Spanish, became crucial force for Peruvian social transformation. In the expansion process of the capitalist world-system, the economic gain is one of the most crucial elements in conjunction with political, inter-state, and social forces. In this process, various independent interest groups emerged and they directly and indirectly influenced the capitalist world-system, while they were also influenced and constrained by the

world-system. Also, cyclical economic ups and downs overlap with political cycle of ups and down. As Spain's revenue from silver mines declined, its political power also declined within European nations, leading to the eventual collapse of the Spanish colonial rule.

## **CHAPTER III.**

### **Double-Colonization Process (1824-1914)**

#### **3.1: The Presence of Constant Social Instability Since Independence**

As the last Spanish force left Peru after being defeated at Ayacucho by Bolivar, Spanish colonial rule ended in Peru in 1822 (Wils, 1979:34). The unequal, oppressive and exclusive schism produced through three centuries of colonial rule divided Peruvian population into the creoles and the Andeans, deeply affecting every aspect of Peruvian society. As Spain lost its control, the creoles that were mostly landowners and occupying the audiencia of Lima, the high court, tried to establish an independent nation-state to replace Spanish colonial rule. However, the first independence movement was led by other foreigners, General San Martin from Argentina and General Bolivar from Venezuela. As long as privileged status and wealth were guaranteed, the creoles in Peru did not mind much to elect Bolivar as the ruler of Peru. Independence was a simple replacement of Spanish colonial rule to the creoles “whose aim was to reserve and enhance their privileged socioeconomic status” (Klaren, 1992: Chapter 1). After independence, the Peruvian state was ruled by twenty-four different regimes between 1821 and 1845 while the constitution was amended six times (Klaren, 1992: Chapter 1; Werlich, 1978:67). The absence of strong leadership in Peru led its society and citizens to chaos and instability for a long time that lasted until today.

In this process, Peru was in complete political and social chaos in the absence of national unity (Wils, 1979:34). The first two decades after independence was represented by privatization of national industries, and concentration of economic and



political power in few hands. Without restraint from the Crown, the top elite possessed power to constitute laws and policies that served to extend and consolidate their power (Wils, 1979:35). In the process of independence, the creoles started to apply the ideas of 'liberal' and 'conservative' to identify their political inclination without, in fact, having any official political party (Werlich, 1978:67). While the 'liberals' represented those who believed in equality of people as opposed to bourgeois domination, the 'conservatives' represented those who believed in a powerful government led by a few privileged people to control the whole population.

In the beginning of the post-independence period, those people who were exacerbated and/or were afraid of monarchical schemes seemed to incline more toward the 'liberal'. They saw it necessary to found an independent Peruvian government based on democratic principles (Pike, 1967:50). Among the liberals, church priests took an important part by suggesting that Peru should follow the political model shown by the United States. On the other hand, the conservatives tried to establish an aristocratic authoritarian government represented by a strong president with the support of a powerful military (Pike, 1967:51; Werlich, 1978:68). In that manner, the conservatives did not welcome priests who were deeply involved in politics and urged their exclusion from politics and the separation of church from the state (Pike, 1967:51). However, as general instability did not benefit either group, they started to look for an alliance. Later, catholic clerics became more and more interested in accumulating power and wealth. It was only in the 1850s when the liberals managed to deprive clerical privileges and to end political involvement of the church.

Together with Peru, many Latin American countries including the Andean nations became independent from colonial rules. Since independence, a new regional tension emerged with ceaseless interference of the European and North American states (Werlich, 1978:107). In the mid-1830s, a Bolivian general came to Peru to demand Peru-Bolivia cooperation, and the two countries formed the Confederation from 1836 to 1839 for mutual benefit. This, however, irritated Chile that felt threatened by the possible imbalance of power in the region. This later led to the War of the Pacific between Peru-Bolivia and Chile from 1879 to 1883. There was also a tension among the nations who were adjoined with the Amazon basin: Peru, Brazil, Venezuela, Colombia, Ecuador and Bolivia. The Amazon River was about 4000 miles long with vast amounts of natural resources unexplored and untouched. This area remained untouched by Brazil's stringent policy that was kept since the Portuguese colonial rule (Martin, 1918:146-147). However, as soon as European colonial rules were weakened, this reserve of natural resources grabbed great attention from the United States which was rising up as a new leading core country in the capitalist world-system. For the U.S.A. it was the moment of possible incorporation of the Amazon into the world economy. After few attempts by the United States to persuade Brazil to open the Amazon ended in failure, the U.S. contacted Peru and Bolivia (Martin, 1918:148). Long suffering from instability and poverty, and being on the brink of bankruptcy since independence, Peru agreed on a treaty with the United States in 1851 by granting a right to explore and utilize the Peruvian section of the Amazon in the exchange of U.S. investment in Peru (Martin, 1918:148). Brazil started to pressure Peru to cancel the treaty with the United States and to make a treaty with Brazil. Following 1853, the United States then succeeded in signing a treaty with Bolivia and a

pressure from Brazil was imposed on Bolivia again. The Amazon was at the centre of fierce tensions surrounded by crossing interests of the United States and Latin American nations.

Later, Tavares Bastos, a Brazilian statesman, who believed that Brazilian government could develop and extend its economic gain through establishing an amicable relation with the United States by opening the Amazon to the world commerce, tried to pass the law that allowed the United States to explore and utilize the Amazon. In 1867, the Brazilian section of the Amazon was finally opened to the world and the Peruvian section of it was soon opened in the following years.

Earlier in the mid-1840s, Peru started to export guano and nitrates to Europe and North America in alliance with Bolivia that also had large deposit of nitrate. Chile, who had only few deposits, participated by investing in Bolivia (Kiernan, 1955:14). Peru, who was unsatisfied by receiving partial profits with the contracts made with foreign private companies declared guano and nitrate business a state monopoly and levied export tax to increase its revenue. Due to the treaty signed between Peru and Bolivia, Peru did not levy tax on Bolivia. But Bolivia charged export tax on the Chilean company who invested in Bolivia. The Chilean government refused to pay the duty and expressed its anger by seizing one of Bolivian ports. In return, Bolivia waged war against Chile, and asked support from Peru. Peru had already signed the treaty, and had no choice but to join Bolivia in war against Chile in 1879. The powerful Chilean army defeated both Peru and Bolivia in 1883, and as a result, Chile succeeded in occupying the nitrate industry sections of both Peru and Bolivia.

As Peru lost its primary source of national income, it became impossible to pay the European private corporations who invested and lend money to Peru. As a result, Peruvian debt started to skyrocket. The substantial amount of mortgage for building infrastructure was supposed to be paid by the profit from guano export, but the loss of guano revenue put Peru into the spiral of foreign debt. Taking advantage of this situation, the United States attempted to take over the position to control Latin America held by the European rivals. When England and France, “the two chief world rivals”, had conflicts over Africa and Asia, the United States attempted to rise as the new protector of Latin America (Kiernan, 1955:22-23). Yet in the beginning, American plan failed due to poor diplomatic skill and the lack of solid economic foundation. In the end, it was France who put an end to the War of Pacific by signing the Treaty of Ancon in 1883. Since then, there were constant boundary disputes that were left by the War of Pacific amongst Peru, Chile, and Bolivia (Klaren, 1992: Chapter 1). It needs to be noted here that it was the general Andeans population of these three countries who suffered the most from the constant internal power struggles, conflicts with neighboring countries, and heavy foreign debt.

### **3.2: Economic Expansion through the Export-led Policies in the 1840s and 1890s**

After a long period of political instability and the deprivation of the Andeans since independence, Marshal Ramón Castilla was elected as the new Peruvian president in 1845. His main concern was economic growth, which he believed as the only solution to restore order in the Peruvian society. The chance for economic growth occurred when Peru started to export guano, a natural fertilizer, to Europe and North America. The guano export served as the base for stable economic growth with labourers brought from

the countryside. Furthermore, the economic gain achieved by the guano boom played an important role in stabilizing and consolidating the state. The guano boom lasted from 1840 to 1880 (Klaren, 1992: Chapter 1; Werlich, 1978:78-79). Yet, Peru did not possess any basic institutions and infrastructure to transport guano and had to receive help from outside. The Peruvian government gave commercial rights of guano to a French firm in Paris named Dreyfus, to help Peru achieve export-led economic development. In the vanguard, the creoles stood with the government and allied with foreign investors. The success of this export economy resulted in a widening economic gap between Lima where the creoles exclusively located and the rural areas where the Andeans exclusively lived and worked on the lands owned by the creoles.

The enormous increase in national income through guano export only benefited a few Peruvian elites and the coastal area where they lived. The nation's first great prosperity was not shared by the entire population but only by a few. While enjoying this great fortune, the elites had no plan for sustainable economic growth. Since then, the Peruvian state became largely dependent on foreign loans borrowed with revenue from guano exports as collateral, and build railroads and some infrastructures. Soon exhaustion occurred from unsustainable guano extraction, and this was followed by the loss of an important guano export business to Chile as a result of the War of the Pacific in 1883. In addition, there was a world economic depression in 1873 that lasted until 1886 following the American economic crisis. In consequence, the short-term economic boom induced by extensive guano export disappeared and only benefitting foreign companies and a few Peruvian elites (Wils, 1979:37). By this time, migrations

from rural towards urban areas in Peru started to occur in a small scale. The first Peruvian economic expansion came to an end.

Social distress caused by economic decline in Peru seemed not restorable. Many young Andeans were killed in the War of Pacific, and many industries had also been destroyed in the exchange of soaring foreign debt. Defeated in the war, President Iglesias lost his reputation as a responsible and reliable leader, and he became dictatorial to stay in power despite opposition by the public. When the situation worsened, General Andres Caceres, one of the war heroes, came forward to abdicate Iglesia, supported by the Civilistas, the armed force, organized by Nicolas de Pierola who also organized the Democratic Party. Caceres soon became the new president. To stabilize the madly inflated currency, he launched new tax policy and currency reforms to revive the export business and to pay the foreign debt. Due to empty national treasury and almost non-existing national income, he made a contract with a British corporation to invest in its state-owned railroads business for sixty-six years in the exchange of defraying foreign debt. He also granted the corporation a right to export guano, to use Peruvian ports, to explore Lake Titicaca, and to occupy a million acres of land (Werlich, 1978:120). Soon after, the economy of Peru finally began to improve by opening new route for the export of sugar, cotton and other minerals. Thereupon, Peru began to enjoy “a new period of prosperity” (Werlich, 1978:121). The second economic expansion had begun. Caceres implemented policies and laws to encourage export businesses by exempting them from paying taxes.

President Caceres also contracted North American corporations to modernize the copper- and coal-mining. Another important resource was rubber from the Amazon.

The rubber boom swept the Amazon basin when the bicycle and automobile tire industry grew enormously since 1880 in North America and Europe, even though rubber extraction and related business went down drastically when rubber from Asia took over the international market and created oversupply by 1915. People who offered labour for these businesses were mainly the native Andeans and mestizos receiving low wages under inhumane working conditions. Together with minerals and nonferrous natural resource, there was other export good such as sugar and cotton. In 1902, the Peruvian government started to invest in modernizing plantations by encouraging foreign corporations to construct modernized irrigation system (Werlich, 1978:125). As a result, three huge foreign private corporations took up most of the local estates. The huge foreign corporations began to dominate the entire businesses and land in Peru. The wrath amongst local farmers and workers was growing after they lost their land to these foreign corporations and being forced to become tenant farmers or paid workers. Other export resource was cotton. Cotton cultivation was introduced to Peru by the American cotton industry when cotton cultivation in the United States was devastated by the plague.

As these export business grew, a new middle class emerged and commercial activities exploded especially in Lima. In two decades, banking and public-related commerce increased drastically (Werlich, 1978:126). However, most of these commerce and businesses were owned by foreigners. Caceres who turned into a dictator tried to reelect himself for his second presidency, but he was defeated by Nicolas de Pierola, the organizer of the Civilistas and the Democratic Party in 1895 with the support of the mass revolts. Since then, Peru had entered an exceptionally peaceful time called “the Aristocratic Republic” (Werlich, 1978:127). Pierola launched many important reforms

such as education, fiscal and military reforms to combat social ills and enhance the life of the poor. Yet there was no change in policies of prioritizing economic development and no fundamental change in basic oligarchic structure of the society (Wils, 1979:40).

### **3.3: Peasant Revolts**

Regardless of such political stability or economic boom brought by export industries, the native Andeans in Peru lived in a completely alienated from the prosperity enjoyed by the foreign corporations and the creole elites while being incorporated as low-wage workers and peasants. They continued to suffer from internal chaos and wars, and even economic expansion did not change their situation. Since the Spanish colonial time, the native Andeans were doubly colonized by being the “victims of the colonialism of the Spaniards in Peru, and of the internal colonialism of the creoles over the Indian peasantry” (Piel, 1970:115). “The Indian peasants [...] were enclosed within a marginal and autarkic economy, on an amputated territory composed of excessively small plots of land” and “there was no possibility of interfering in the dominant society that excluded them” (Piel, 1970:111). In fact, when the native peasants were under the Spanish colonial rule, they received protection from the Crown in the name of preservation of Indian population while the creoles frequently broke the rule and excessively exploited them by levying their own tax, tribute and mita system.

Since independence, however, liberal ethos of economy was incorporated in the creoles that were greatly influenced by enlightenment and the French and American Revolutions. All they had was land and crops produced from land. To increase their revenue, they thought exporting these products were the only way. Since then, the



Peruvian economy became greatly dependent on the conditions of international markets that decided the prices of the Peruvian export goods. Now, the peasants were not only controlled and exploited by the creoles but also by the foreign corporations who owned land and industry that the creoles offered them in exchange. The foreign corporations whose goal was to maximize their profits by minimizing its cost became owning most of estates and controlling lives of the peasants.

Nicolas de Pierola rose to the power position following the Revolution of 1895 against General Caceres, and he started to build the aristocratic oligarchy. He continued to encourage export-led economy of minerals, sugar and cotton, accelerating the further incorporation of Peru into the world economy. Most of its commerce and businesses were possessed by foreigners, driving the peasants into be simple modern slavery exacerbating misery and deepening despair. The advent of huge foreign corporations worsened exploitation of the Andean workers and peasants who received minimum pay, and the farmers and mine workers became increasingly discontent because they not only had long lost their land but also their dignity. Leaders of Peru, the oligarchy, were mostly interested in expanding their wealth by supporting the export industry sector and establishing close alliances with foreign investors. The peasants were mostly living in remote highlands as tenant peasants without having any chance of development and improvement (Wils, 1979: 38).

The irony was that national economic expansion and prosperity was achieved based on the agricultural and mining industry in highlands where the peasants and mestizos provided labour to grow crops such as cotton, sugar and wool for export (Piel, 1970:110). Peasant in the highlands started to rise against the abuse by the landowners

and business owners (Klaren, 1992: Chapter 1). However, without political connection, their power was not strong enough to influence the state that was controlled by the oligarchy. In the process export-led economic growth, the peasants in rural areas started to migrate and become wage workers in the export-industry and export-agriculture centres. Population grew rapidly in these centres that engaged in mining industry, sugar and cotton plantation, and more. The Andean population in highlands of Peru, who became wage workers in the mining and agricultural centres, as well as in Lima and other coastal cities, started to learn Spanish and built a link with their family and relatives in the hometown by sharing their wages. This prepared the condition for the workers movement to rise. Unsatisfied workers started to organize violent strikes in 1910. Then, World War I began in 1914.

### **3.4: Summary of Analysis**

The First crucial historical event in the early nineteenth century was the independence movement in Latin America, prompted by the decline of Spain and its colonies. As Spain declined and lost its control over Peru, the creoles replaced the Spanish colonial rule and emerged as the new leader of Peru. However, Peruvian independence was initially brought by foreign revolutionaries and the opportunistic creoles that were greatly influenced by enlightenment idea and the French and American Revolutions (Blaufarb, 2007:745). Peru was almost the last nation among the Andean nations that accomplished independence. As most Latin American countries became independent, all the nations in this region started to seek national economic development to achieve true independence. In this process, sub-inter-state system was created as a new

regional block. They competed and at the same time allied with each other, depending on their interests at the time. When their interests conflicted, tension rose and influenced one another in different ways. Although different in degree, most Andean countries lacked power to establish truly independent states.

Peru lacked political, economic, and social institutions to support and consolidate an independent state in the absence of strong leaders. Peru was officially independent but not so much practically. Followed by other Andean nations, it began to seek national economic development by building basic infrastructure and institutions. The only means to achieve these goals was to export its products, i.e., crops, cotton, wool, and minerals. Even to do so, Peru lacked basic infrastructure such as road, railroads and ports to transport and export its products. This lack of basic infrastructure obliged Peru to ask loans from core nations. The creoles that emerged as the new leader of Peru dominated the export sectors and benefited from them. However, economic expansion through exporting generated deteriorations in the Peruvian society that became extremely vulnerable to fluctuations in the international market. The Peruvian society was in constant instability and was depending on core nations where Peruvian exports were directed. As a result, when the international market and core economies experienced recession, Peru faced its negative impacts as well.

The second crucial historical event in the early nineteenth century was the rise of the United States as the new hegemony in the capitalist world-system. The United States accelerated the process of building “unlimited global market” with newly emerging monopolistic and oligopolistic corporations (Ikeda, 2002:108). As Wallerstein stated, these huge corporations of the United States gained enough power to pressure the

U.S. government to change its policies to promote liberal international trade and to influence policies of other nations (Wallerstein, 2004a:50). As the United States joined and tried to replace the European core nations, Peruvian exports went largely to the U.S.

Export-led economic system and its related industries required labour power. At the same time, the peasants, whose life conditions worsened continuously, began to migrate into the cities to become the wage earners. Economic expansion and its profit fell into a few hands of creoles and foreign corporations, causing poverty among the peasants and workers. In early 1900s, export-oriented economic policies began to show their limit such as the exhaustion of materials, and oversupply of goods. These specific characteristics of export-oriented economic policies led to the decline of sales in the international market. The U.S. economy that stood at the centre of the international commerce began to crumble, causing a series of negative impacts in the world. This led to the economic depression in the end of the nineteenth century and two World Wars in the first half of the twentieth century.

Since independence, the creoles in Peru began to focus on export-led industry to boost its economy. The Peruvian government tried to attract foreign corporations to build basic infrastructures. Attracting foreign investments was the common tactic used by the Andean countries to accomplish nation economic development. Each nation started to act for its interests and profit. As a result, this region appeared as the new block within the capitalist world-system. They competed and at the same time formed alliances. Such creation of geographical zone and geoculture in the Andean nations as the sub-inter-state system had both expected and unexpected outcomes. For example, the ally that Peru established with Bolivia made Peru to join the War of the

Pacific against Chile. This unexpected and unwilling participation resulted in the loss of Peru's guano industry.

The emergence of the huge corporations was a tactic developed to overcome the limitation of capitalist expansion process. The process that peasants in highlands of Peru became wage workers in the export industry to increase their income to support their families is a good example of the commodification of labour within the capitalist world-system and how the division of labour occurs. This process also represents the internal formation of the core-periphery relation between the cities and the highlands, and between the creoles and the peasants. After long exploitation that caused extreme poverty among the peasants, they started to react for their own right against injustice practiced upon them for centuries. They had observed the contradicting reality in the economic expansion, and they began to form guerilla movements. General strikes and worker and peasant rebellions started to rise, demanding changes in the exploitive policies. When the peasants succeeded in replacing dictatorial president Iglesias with Caceres, the creoles began to recognize the hereto neglected power of the peasants in Peru. This event can be interpreted as one of the anti-systemic movements that have always appeared "in contradiction with the reproduction of the existing accumulation mechanism and political, economic and ideological power relations in the capitalist world-system" (Ikeda, 2002:104).

## CHAPTER IV.

### The World Wars and the World Economic Crisis (1914-1968)

#### 4.1: The World War I and Continuing Revolts

World War I led the Peruvian export-led economy to a temporarily halt. Soon after the international trade market came to life, Peruvian currency experienced immense inflation to the extent of doubling the life expense between 1913 and 1919 (Klaren; 1992: Chapter 1). This was a huge blow to the newly arrived peasants from highlands and the newly created middle and working classes in the urban centres. When the war ended, the revolutions occurred in Mexico and Russia, influencing the new urban working class that migrated from rural area to Lima. They started to form the *indigenista* movement in attempt to remembering the Inca prosperity that had been forgotten for centuries since the Spanish colonization. They were joined by the intellectuals who began to question Peruvian social organizations. The native Andeans in the southern countryside of Peru began to rise after long impoverishment caused by the export-led economic activities based on liberal market ideology.

In 1918 for the first time in the Peruvian history, a large-scale mobilization of workers joined by students and intellectuals was organized to demand social change in Peru. The frustrated workers and students organized strikes and circulated the manifestations condemning against dictatorial president Prado for promoting the liberal economy policy that only benefited a few elites and foreign corporations. He was forced to resign. Then, Augusto B. Leguia Salcedo won the presidency and ruled for eleven years from 1919 to 1930. However, he adapted more extended liberal economic policy

that was hardly different from that of Prado. He tried to replace traditional elites, the creoles, with newly created middle class as the leading agents of liberal market economy. However, he too became dictatorial, only resulted in multiplying the foreign debt generated by liberal market economy. The situation was aggravated by the constant border disputes that Peru had to engage with Colombia. As Peruvian society drifted without clear direction socially and politically, Peru's inveterate military intervention to topple down the existing state occurred. This was the time when Aprismo was created by Victor Raul Haya de la Torre. He organized the APRA (*Alianza Popular Revolucionaria Americana*) movement.

#### **4.2: The Advent of New Ideology: Aprismo and the APRA**

The APRA movement and Aprismo were inspired by various historical events at the time: "the Mexican and Russian revolutions, the university reform movements, the emergence of organized workers' groups, the rise of foreign economic expansionism, and the impact of the ideologies of Marxism, socialism and nationalism" (Klaiber, 1975:693). Victor Raul Haya de la Torre led the APRA movement. He was at first influenced by Marxism combined with *indigenismo* movement (a movement that attempted to restore the past prosperity of the Inca and communal system of the Inca society). Aprismo represented the political principles of the APRA movement and the new ideologies created by the Peruvian intellectuals seeking Peruvian social transformation. They were initially influenced by the disastrous and humiliating defeat of Peru in the War of Pacific (McNicoll, 1943:424). They had an illusionary national image of Peru that it was one of the leading countries of Latin America. This image was

shattered by the shameful defeat and made them realize that Peru stood on weak ground. They also observed that the native Andeans fought in the foremost front in the battles while the president accepted defeat so easily by renouncing important territory of guano industry to Chile. This event also made some Peruvian intellectuals question Peruvian social organizations that had long neglected the native Andean population. They began to criticize the creoles on accumulating wealth and power by making policies profitable for their own sake while neglecting the national interest for the whole and excluding the Andeans. They attacked neo-feudal forms of land program that had always been exploitive, and voiced opposition against the corrupt clericalism of the churches in Peru (McNicoll, 1943:425-426).

As mentioned earlier, one of the main oppositions of the APRA movements was directed against the liberal market system under the new world leader, the United States. Haya de la Torre believed that the liberal market system under the U.S. imperialism widened the historical inequalities between the creoles and the Andeans. He demanded the state to take protectionist interventions in the economy to reduce the gap. Haya de la Torre, who thought that the Andeans lacked the class consciousness to lead a movement strong enough to bring social change, approached and urged the new middle class to stand firm against capitalism and Western imperialism as represented by the invasive foreign corporations that dominated the Peruvian economy and put Peru into an inescapable debt trap (Wils, 1979:42).

In the beginning of the APRA movement, Haya de la Torre summoned two groups: the first group was peasants, artisans and small merchants on the northern coast area, and the second group was the industrial working class and students residing in Lima.



The APRA turned later into the new radical political party in Peru. However, Haya de la Torre's radical approach failed to attract the people that he initially wanted to recruit. Rather, his radical approach brought hostile reactions from the elites who were worried about discouraging foreign investments in their businesses. The elites who were scared of APRA movements began to pressure the government and urged President Leguia to suppress the movement. President Leguia tried to be a mediator between the oligarchy and the APRA at first, however, he soon began to suppress the APRA movement by using his own "carrot and stick policy" (Wils, 1979:43).

While he suppressed the APRA not to become a threat to national economic development and to the state power, he promised the population a better welfare system: creating redistributive policies. He also brought education reform policy and supported popular universities founded by Haya de la Torre including San Marcos University that was opened for the working class students (Klaiber, 1975:693-694). This university later became the centre of the APRA movement. Yet, these welfare measures were only limited to the population in Lima and left the native Andeans in highlands, Montana and sierra excluded from its benefit. As a result, rebellions continued (Wils, 1979:44). When there were violent revolts organized against the landowners, Leguia crushed the revolt using military force supported by the ruling oligarchy. The ruling oligarchy was afraid of the possibility of APRA provoking the masses to organize politicized social mobilization against its state. The government continued to prevent them from becoming an official political party in Peru and preventing Haya de la Torre to run in the presidential election. The APRA kept a strong stance against the oligarchy for a long time, but it started to change its attitude toward the state in the mid-1940s. The state also started an

interventionist economic policy and relaxed its cautionary attitude toward the development of the Left party. As a result, the APRA took a softer stance with the state by allying with the oligarchy until the late 1940s when the dictatorial regime of General Odría again took power and he brought back the free-market policy.

Despite the fact that the APRA failed to bring total social transformation and revolution, these series of events invoked by the APRA served as prelude to the beginning of Peruvian social transformation. Firstly, it brought the emergence of a new ideology challenging the ruling ideology of the elites. Secondly, there was a significant attempt to form cooperation between the middle class and the peasants. Thirdly, it helped to establish political movements of the workers to challenge the policies of the Peruvian government. Fourthly, it brought the emergence of counter-elites and new power contenders, i.e., the students, workers, peasants, and intellectuals who together contributed to initiate the path toward Peruvian social transformation. Fifthly, it served to make Peru to give consideration to “Indians”, the neglected native Andeans. Lastly, the university reform movements of the APRA influenced similar movement throughout Latin American countries. Most importantly, the basic ethos of the APRA greatly contributed to the awakening of the oppressed to stand for their rights as the Peruvian citizens against social injustice. The reason why the early APRA movement failed to accomplish a total revolution of Peruvian society was because “fundamental social reform in Peru could not be accomplished solely through the spontaneous efforts of private individuals to improve certain aspects of the lives of the lower classes” (Klaiber, 1975:715). Instead, it could only reach its goal “through a total transformation of all of society itself” of culture, education, and politics as a whole (Klaiber, 1975:715).

### **4.3: Peru during the Great Depression and World War II**

Since 1930, the oligarchy rule supported by the military force appeared as the new ruling system of Peru (Klaren, 1992: Chapter 1). In spite of the Great Depression of 1929, Peru kept exporting products such as cotton, sugar and other minerals. This allowed Peru to keep its liberal market system while most of the world was turning to the nationalistic protectionist economic system from the export-oriented economy model (Wils, 1979:39). According to Wils, there were some reasons as to how Peru could keep an export-led economic system even during the Great Depression. Firstly, the total population of Peru was small and not sufficient to support domestic-oriented industries. Second, Peru's export goods were exceptionally diverse including sugar, cotton, wool, rubber, petroleum, gold, silver, copper, and also some nonferrous minerals. As a result, Peru could reduce the shock of the Great Depression. In fact, the amount of exports increased during and after the Depression. It was shown by the report of the Peruvian Chamber of Commerce in 1933:

In the midst of the disconcerting spectacle offered by the world economy, Peru's economic situation in the past year has been relatively satisfactory. None of the characteristics of the world crisis has presented itself among us in acute form. International trade has undoubtedly suffered, but the balance of payment has become more favorable. Our basic export products continued to depreciate, but benefited from lower production costs as a result of monetary depreciation. Our export products always find a market, and up to now it has not been necessary to curtail production due to problems in marketing (Wils, 1979:41, cited from Basadre, vol. XIV, pp.311-312).

The eleven year rule of Leguia was followed by frequent regime changes with great political instability. Sanchez Cerro toppled down Leguia by a coup d'état in 1930. Haya de la Torre who was exiled by Leguia tried to run for presidency but he met fierce interruption from Sanchez Cerro who described him as a communist revolutionary (Werlich, 1978:190). It seemed like the Peruvian mass supported the APRA. In addition, the 'welfaristic' campaign pledges carried out by the APRA seemed to evoke the mass support for the APRA. However, Sanchez Cerro won the election. Shocked, APRA got suspicious of the election results. After all, the Peruvians chose "a return of the oligarchy" over revolutionary rhetoric of Haya de la Torre (Werlich, 1978:195). However, the Sanchez Cerro regime crumbled down when he was assassinated in 1933. Seemingly little affected, the Peruvian economy continued exporting products of natural resources and artisan industry throughout the time of the Sanchez Cerro regime and the successive Benavides's government. After six years of Benavides, Manuel Prado was elected in 1939, the year when World War II started. Soon, border disputes with Ecuador occurred in 1941. Unlike the War of the Pacific, Peru won the war with little damage to Peruvian military and economy.

By this time, as mentioned above, the APRA started to compromise with the government by turning its policy stance from radical and revolutionary to moderate and democratic (Klaren, 1992: Chapter 1). Sudden change in attitude of the APRA also coincided with the New Deal policy that Franklin D. Roosevelt initiated as a revolutionary and democratic policy. As Roosevelt declared to stop the U.S. "unilateral intervention in the Americas" as the Good Neighbor Policy (Werlich, 1978:231), hostile attitude of the APRA toward the U.S. imperialism, capitalism and foreign investment had

shifted accordingly. The APRA declared an alliance with the government ensuring that they would no longer be a threat to the Peruvian government. Its party was finally legalized and became an official political party. Also, in turn, the Prado government promised populist reforms for the mass. In 1945, after Prado, Jose Luis Bustamante y Rivero was elected as the new president after receiving help and support from the APRA. He claimed to stand for state interventionist policies against the U.S. imperialism and American foreign investors.

Rivero delivered an extensive fiscal expansion program by controlling the prices of goods and exchange rates and printing paper currency to pay foreign loans (Klaren, 1992: Chapter 1). The specific internal conditions explained above, i.e., the small domestic market and the diverse export goods that kept Peru continued to promote export-led economy during the Depression and World War I, reached its limit, and the absolute lack of domestic industry and a decline in export caused stagnation in Peruvian economy. For example, while exports increased by only 5 %, imports increased by about 30 % between 1941 and 1945 (Werlich, 1978:226). Due to the shortage of goods, markets could not satisfy the demands and inflation followed after the depreciation of Peruvian currency, shaking the confidence in the Rivero government.

The World Wars among colonial empires weakened their rule over colonies and the international emancipation and reform movements were organized by the masses and the revolutionary intellectuals. This trend was prominent among the past colonies of Europe. The new wave of nationalist movements swept India, Arabic nations including Egypt and Algeria, West Africa, Indonesia and Southeast Asia. As a result, European nations such as England and France were pressured to bring reforms for eventual

decolonization (Albertini, 1969:22-25). In sum, the two world wars and the Great Depression resulted in the new wave of nationalist movement leading to international decolonization process and the emergence of the revolutionary intellectuals and the masses as the new power contenders who became able to use mass mobilizations to achieve their objectives, to influence the national and international policies, and to challenge the leading ideologies.

#### **4.4: The Beginning of Shantytown Formation and Rising Mass Mobilization**

Peru achieved economic growth from exceptional export expansion from the 1920s and the 1940s, yet again; its fruit was not distributed to the whole population. The socio-economic gap between rural and urban widened. While the coastal area in Lima where the creoles were located functioned as the centre of export business, the countryside including the Sierra and the highlands experienced further impoverishment by losing its competitiveness to imported cheap products. In addition, 2% of the landowners, mostly the creoles, controlled 69% of the cultivable land in contrast to 83% of the peasants controlling only 6%. These huge inequalities in income and land distribution continued, and the gap widened between the rich in urban area and the poor in rural area who had mostly remained tenant farmers in a semi-feudal system since the Spanish colonial rule. At the end of nineteenth century, the native Andeans and mestizos slowly began to migrate to urban areas in small numbers. In the 1930s mass migration from the countryside to Lima started, and it was rapidly accelerated since World War II. As the Peruvian government stopped supporting the “construction of the traditional *callejones*”, “the cheapest housing in the downtown area of Lima”, these migrants who

could not afford rental dwellings in Lima had to illegally seize either public or private land on the hills near the centre of Lima. Thus, the first *barriadas* was built with wooden planks and tents.

After the first shantytowns were formed in the 1930s, it continued to grow rapidly through the 1950s. Nobody knew yet what the speed and size of growing shantytowns in Lima would mean to the Peruvian society. In the beginning, the state did not pay much attention and let these migrants to settle. Until these illegally seized land expanded and a growing number of migrants began to encroach the entire outskirts of Lima, the Peruvian government simply let the migrants find their own ways to settle since it was an inexpensive solution without involving government expenditure (Dietz, 1969:355). As the number of migrants hit one million, massive shantytown formation started to change the outlook of Peruvian society, economy and polity (Dietz, 1969:355).

In the late 1940s, when the Peruvian economy started to decline after temporary growth brought by export industry, General Odria was elected after Rivero. Odria launched the total authoritarian regime by encouraging a free-market economy system, marking a departure from Rivero's interventionist stance (Werlich, 1978:248). He declared official hostility toward the APRA by accusing them for the current Peruvian chaos caused by its state interventionist and democratic policies. As a result of this anti-APRA policy change, Haya de la Torre was exiled. During the Odria regime, military force held the executive and legislative powers. Economically, he encouraged export industry to restore the disastrous results of untested state interventionist policies attempted by Rivero. He adopted flexible exchange rate system in 1949 resulting in devaluing the sol (Tsiang, 1957:449; Werlich, 1978:250). Coincided with the Korean

War in 1950-1952, the Peruvian economy began to grow as commodity price increased in the international market. In addition, Peru added new export goods such as coffee, cocoa, tea and fishery (Hobsbawm, 1969:32; Wils, 1979:45). By restoring its credibility among international lenders, the Odria regime acquired loans from the World Bank and the International Monetary Fund (IMF) (Werlich, 1978:250). Soon the investments from American companies in Peru increased dramatically. This was the time when the International Petroleum Company made a contract with the Peruvian government. Odria's overly affectionate attitude toward foreign corporations to explore mineral resources later met with harsh oppositions by the public under the influence of an expanding economic nationalism movement throughout Latin America. After Odria, Manuel Prado was elected in 1956 and introduced reformist and democratic policies. He tried to provide housing for the increasing number of migrants in Lima and implemented agrarian reform to slow down the inflow of migrants from rural area (Werlich, 1978:262). Yet, his hazy and unskillful reform policies drifted once again without bringing promised outcomes.

Whether the Peruvian economy grew or declined, the native Andeans and mestizos especially in rural areas were excluded from enjoying economic prosperity. As always, economic prosperity was extremely limited to urban area, mostly Lima. As a result, the pressure of migration from rural to urban areas steadily grew during the 1950s and 1960s. According to Wils, the urban population grew from about two millions to five millions from 1940 to 1965 and especially the population at Lima grew from half a million in 1940 to two million in 1967 (Wils, 1979:44). On the other hand, the decline of Peruvian domestic agriculture continued. By this time, Peru imported much more than it



exported. Together with complex historical events such as massive migration of rural population into urban area, early migrants in Lima became a new middle class and the skilled workers, and they become new contenders for political power. At this time, they started to turn their heads away from the APRA who had built alliances with the oligarchy. The general surge of revolts was accomplished by a fierce uprising of workers who were against the American International Petroleum Company that controlled ninety-eight percent of petroleum production in Peru in 1958. It in turn also influenced the U.S. Progress Aid Policy. As the Peruvian masses turned against the American foreign investors, the U.S. government suspended aid in order to pressure the Peruvian government to reopen the door for the American investors (Bunker, 1969:291). The climax of this event was when Nixon was refused to enter Peru at the airport by strong opposition, resulting in changes in the U.S. aid policy for underdeveloped countries (Bunker, 1969:288).

In the early 1960s, the native Andeans in the Sierra organized guerrilla movements involving massive peasant invasions of haciendas to protest against the negligence of traditional landowners under the land tenure system (Wils, 1979:45). Belaunde Terry who was the president at this time, lead an extremely authoritarian political system and used military forces to suppress this movement. On the other hand, he enacted numerous reform programs such as transportation, housing, land reform, fiscal reform and educational reform to counter the rising guerilla movements (Wils, 1979:46). Unfortunately, his reform programs failed to bring promised outcomes and brought even more fierce oppositions from left political parties, students, peasants and workers' groups (Bunker, 1969: 282-283). His regime was brought down by General Velasco in 1968.

This marked the turning point of Peruvian history where the social movements and mass mobilization led to the gain in political power. Since then, people in shantytowns started to demand the government to provide basic infrastructure such as water, sewage system, electricity and paved road. This time was one of the exceptional military rules generating “a mobilized, strident, rights-conscious segment of the country’s shantytown population” with “a challenge to the previously dominant politics of clientelism” (Stroke, 1995:32).

#### **4.5: Summary of Analysis**

The first crucial historical event in the early twentieth century was the crisis of the capitalist world-economy that coincided with the worldwide nationalist and anti-colonization movements. Latin American countries became independent and focused on national development through economic growth. They formed new regional sub-inter-state block and generated tensions. As Europe began to decline, the United States arose as the new world leader and replaced the European states. After many untested reform programs attempted by the world leaders after the Great Depression and two World Wars, there was a worldwide shift from self-regulating free-market system to state-interventionist economic system. General trend was a shift from export-oriented economy to domestic-oriented economy. However, Peru walked the opposite path due to its specific internal conditions. After World War II, as the inward-oriented import-substituting economic policy failed to bring economic growth and stability in the peripheral countries because of the limited market and the lack of technology, the United States forced the free-market system on the peripheral countries using the international institutions such as the World Bank and the IMF. Since then, American foreign

investment, especially in the Third world countries, accelerated with the loans issued by the World Bank for economic development.

After the Depression and the World Wars, nationalist movement rose. In case of Peru, there was the radical APRA movement, supported by intellectuals, students, workers and peasants who emerged as the new contenders for political power to bring social change in Peru. The migration of the rural population into urban area occurred after the rural area suffered social, economic, cultural and political deterioration. The lack of the public housing to accommodate these migrants led them to form shantytowns in Lima. Soon after, these urban migrants appeared as the major agents that brought Peruvian social transformation in terms of demography, economy, culture and politics.

During the Depression and the World Wars, the structural dependence of Peru on the United States and international market aggravated the Peruvian economy, and this triggered an opposition of the masses. The opposition grew among the newly emerged power contenders, i.e., intellectuals, students, workers and peasants. A recurring pattern that was observed since independence was the frequent regime changes accompanying frequent policy changes. Such frequent policy changes confused the masses and did not allow the society to adopt and digest such changes. Numerous Peruvian leaders attempted reform policies but failed to bring promised outcomes due to their clumsy and unskillful management. Peru failed to create its own “Peruvian” policies that take both external and internal conditions into consideration and that could lead Peru toward an autonomous development path. Given the situation of continuous policy failures, revolutionary movements gained momentum among the masses that no longer trusted the rhetoric of reforms or the immature political/military leaders. When the

Peruvian government acted on behalf of the few elites and foreign investors, the opposition against the government steadily grew among the masses.

The numerous reform programs attempted by the Peruvian leaders in the mid-twentieth century failed to bring the promised outcomes, such as the distribution of income and land as well as the improvement of social conditions. When the masses responded by organizing rebellions, the Peruvian leaders began to acknowledge that they no longer could neglect these people who became strong enough to overthrow the state. In the Peruvian political system of the early twentieth century, the president presided over the executive and legislative affairs as well as the military. The oligarchy, on the other hand, controlled export industries and related finance businesses in the Lima-Callao areas. Since the oligarchy controlled national economic developments, it was difficult for the Peruvian presidents to go against the demands of the oligarchy. The Peruvian economy was largely depending on foreign investors in terms of technology and infrastructure building, the Peruvian presidents had to maintain amicable relationships with the foreign investors. In addition to that, the Peruvian economy was extremely dependent on foreign aid and loans particularly from the U.S. The most common method used by the U.S. was to pressure the Peruvian presidents to provide favorable business environment for their corporations. Along with the pressure from the U.S., the Peruvian presidents also had to deal with rising economic nationalism in Latin American and economic independence movement against U.S. imperialism. The nationalist movement in Latin America pressured Peru to shift its economic policy from free-market system to state-interventionist system. Placed between Latin American economic nationalism and the U.S. pressure to open Peru for American investment, the Peruvian leaders were at a loss.

The conflict that the Peruvian government had with the American International Petroleum Company is a good example that shows the difficult position the Peruvian government was placed in the middle of conflicting interests and the oppositions of the masses.

## **CHAPTER V.**

### **Self-Actualization Process of the Oppressed (1968-1980)**

#### **5.1: 1968 Revolution**

Even during the Great Depression, Peru had various export goods such as cotton, sugar, copper, lead and zinc, and Peru enjoyed stable export earnings while most of the world resorted to interventionist and protectionist policies. Yet, the problem of this country was not production but distribution. Regardless of whether Peru's economy was expanding or in a recession, no policies existed to protect the peasants in the rural areas who experienced chronic impoverishment. The peasants from the rural areas started to migrate to Lima expecting for better lives and formed the informal housing in the shantytowns. As Stroke states, the squatter drive or "land invasion" was a reaction to social disruption together with economic impoverishment reproduced in a long historical trajectory (Stroke, 1995:24).

Yet, there was a new historical development from the late 1960s. Neither economic deprivation nor political instability can fully explain the upsurge of social mobilizations by the grassroots organizations in the shantytowns. Even if there had always been struggles, revolts of the peasants, and the urban poor in the past, the social mobilization that started this time had fundamentally different characteristics in the sense that they transformed the residents of shantytown into the active political agents. They became new power contenders for social transformations. Migrants in these shantytowns started to gain enough political power supported by the state when Velasco took the presidency in 1968. It also coincided with the 1968 World Revolution and the previous

Belunde regime was overthrown by a coup d'état carried by a radical right in the military (Wallerstein, 1989). What differs from previous military coup-d'états was that the radical group was organized inside the military by themselves as compared to the previous pattern where military was summoned under an order of the president to suppress guerilla activities or revolts.

As soon as Velasco took the presidency, he declared a wide-scale reform programs in order to bring a comprehensive Peruvian social transformation. What distinguished his reform programs from others was that he had observed errors made by previous Peruvian leaders and understood that any reform system that remained partial would fail. In this manner, Velasco executed a mixture of the “humanist-libertarian socialist” reform programs in attempt to transform social, political and economic structures and institutions as a whole (Wils, 1979:173). In this process, there were also irreversible changes made in the roles of national industrialists and foreign investors in economic development and state formation. This period can be marked as the time of top-down distribution of the power that was hereto monopolized largely by a few top elites who presided over the Peruvian social hierarchy. Most importantly, it was the first time the Peruvian president tried to find “Peruvian solution for Peruvian problems” rather than imitating and employing the Western solutions, particularly those borrowed from the U.S (Wils, 1979:175). Despite the fact that this fundamental change was noteworthy and it became the cornerstone for Peru’s future trajectory, there could not be a pure Peruvian solution when the problems were not purely of Peruvians. Rather, the fundamental problem came from a complicated mixture of the inherent structural problems of the capitalist world-system. In any case, Peru tried to take a middle path between capitalism

and socialism, giving a reason to call this revolution ‘ambiguous’ (Lowenthal, 2004:799; Wils, 1979:175).

To accomplish a total reform of the Peruvian society, Velasco started first with the transformation of the oligarchy that had monopoly control over national export sectors and related financial business in Peru ever since the time of the Spanish colonial rule. He believed that the oligarchy was the main cause for the irreversible penetration of foreign investors that controlled industries, and for the peasants’ problems through traditional land holding by the oligarchy and the state. Velasco began to convert their possessions into workers’ unions and intervened in the banking system.

In 1969, land reform was launched to allocate land to the peasants and cancelled monopolized irrigation rights. He also ordered upgrading technology in the agricultural industry followed by the nationalization of industries. The nationalized sectors included the export industries, railroads, telecommunications, fishery, etc. that were owned by the foreign corporations such as the American International Petroleum Company. If not nationalized, Velasco actively renewed and renegotiated contracts with the foreign companies. Also, Velasco launched nationalist foreign policies against the U.S. imperialism. He and his followers thought that unless there is no transformation of the world economic system in which the U.S. took the predominant position, there could not be equal trade and equal international business between the underdeveloped and developed countries. In order to achieve economic autonomy through mutual support among the Andean countries, Peru took the leadership in organizing regional market arrangements such as the Andean Common Market (ACM) (Wils, 1979:178). Velasco also tried to strengthen international relations with other Latin American countries and



Asian countries. Once wider export venues for rich Peruvian natural resources were secured as the base of national economy, it would become possible to solidify domestic agriculture and agriculture-based industries. These developments would establish an autonomous ground to maintain economic growth. However, perfect long-term master plans would not always work as it was planned.

## **5.2 Beginning of Populism and its End**

During his regime, Velasco wanted to use the poor especially the urban migrants living in the shantytowns to transform the traditional oligarchy system into a populist system. It was this time when the term that was used to call shantytowns, *barriadas*, was changed to *pueblos jovenes*, meaning ‘the young towns’. This represented a fundamental change in the view about these settlements, and their inhabitants were now officially recognized by the government. They became official residential sectors of lower working class who in the past were viewed as uncivilized native Andeans and the *mestizos* who invaded Lima and became hindrance to economic growth in Peru. One point that should be made here is that unlike in the past when only the traditional oligarchy could aspire to be high officers, middle and lower class people started to aspire for higher positions.

General Velasco was the perfect example for this change of ‘meritocracy’ where people could aspire for higher positions in the society on the basis of their ability even if they came from the northern Peru and not from the coast where the oligarchy lived. Velasco wanted to build a cooperative relationship between the state and the masses to bring structural changes to the Peruvian society. He implemented some

protectionist and socialist programs for the workers by redistributing national income to create demand for the domestic industry. Since the Spanish colonial rule, Peru was always largely dependent on foreign interventions and loans that the oligarchy indiscreetly brought in to advance their own interest. Velasco's regime wanted to minimize and even end the foreign control since it was destroying the Peruvian society and economy. Yet his grand-scale reform projects required vast amounts of money and he ended up borrowing more loans from outside.

Velasco's populist and pluralistic policies resulted in unintended and unexpected popular movements in the shantytowns. He first encouraged labour movements and established labour unions to protect the workers whose demand included the creation of a 'labour community'. This concept was operationalized by Velasco in the form of the "industrial community" (CI) to be created in any industrial company in mining, fishing, and telecommunications with more than five employees and annual income of \$24,000 (Werlich, 1978:315). He did not stop there. He reached the lower class communities and encouraged them to start local political activism based on neighborhood committees organized based on the representatives of the households to engage in land distribution and general community improvement projects. Velasco thought of these urban migrants as potential agents of support for the state and its transformation. For the first time in Peruvian history, he tried to integrate this population, who had historically been isolated and excluded from the Peruvian society controlled by the creoles. Yet, this master plan did not succeed in delivering all of the promised transformations to these people due to the lack of capacity in administrating these projects and the lack of commitment at the highest level of the government composed of

the members of the oligarchy who still wanted to maintain and monopolize their power and wealth. In consequence, the excluded people started to mobilize themselves, bringing unexpected outburst of popular movements in Peru.

During this time, new political parties such as the Communist Party and the New Left emerged to organize political activities among the poor. Struggling with his own health problem at the end of his presidency, Velasco became overly dictatorial and began to suppress increasing mass mobilizations by deporting leaders of the workers' groups, political parties and student organizations (Klaren, 1992: Chapter 1; Werlich, 1978:363). Moreover, the oil shock of 1973 multiplied the debt that Velasco borrowed for his reform projects. In this way, his ambitious goal of making the total transformation of a truly democratic and populist Peruvian society crumbled down, resulting in immense inflation, accumulated debt, and growing riots.

Velasco's reform programs did not fully overcome the Peruvian state structure that was hierarchical, authoritarian, overly bureaucratic and unskilled. As well, he miscalculated and naïvely expected that the oligarchy and foreign investors would cooperate and support his reform programs. Their resistance played a great role in preventing the construction of a strong, democratic and populist state. His anti-U.S. policies also resulted in diplomatic tension and conflicts between Peru and the U.S. (Werlich, 1978:330). The general rise of anti-U.S. attitude among Latin Americans to move away from the U.S. and to challenge its imperialistic capitalism greatly influenced U.S. policies toward them. In spite of many positive changes he introduced to the Peruvian society, Velasco could not escape from the label 'military dictatorship' (Werlich, 1978:340). In 1975, Velasco was forced to resign from the presidency without achieving

his ambitious projects to transform Peru. In 1975, General Morales Bermudez took the presidency.

As soon as Bermudez took the presidency, he managed to control the inflation that was deteriorating the Peruvian economy and society, accompanied by the increased mobilizations of the mass toward problematic mismanagement of the reform programs and policies that failed to bring any improvement to the poor. With his background from a military family and education as an engineer, his priority was actual solutions by managing the administration of the government rather than resolving ideological, sociopolitical, and philosophical conflicts. He used his position in the military to consolidate his political support and created the Inter-Sectorial Commission of Economic and Financial Affairs to restore the deteriorated economy. He also tried to revive relations with the general public and foreign investors returning to the liberal economic system in attempt to recover economic loss created by the former regime. He also began to reduce restrictions imposed on media and pardoned those who were deported by Velasco (Werlich, 1978:365). His early strategy was to reassure both the public and the high officials in an attempt to bring them to his side so that they would support his policies of the “second” revolution following Velasco’s “first” (Werlich, 1978:366). He soon launched increased taxation, reduced subsidies, wage adjustment and import restriction, but these new harsh policies were met with oppositions from the public. Despite such opposition, Belaunde was reelected as president in 1980.

### **5.3: Summary of Analysis**

The most crucial historical event since 1968 was the internationally spread anti-systemic movement organized by the oppressed. The workers, intellectuals, students and the poor became the agents of anti-systemic movement against the U.S. imperialism and the capitalist system. Peru was not an exception. Greatly influenced by growing anti-U.S. and anti-capitalist movements in both advanced and the Third World countries including Latin America, General Velasco declared a comprehensive revolutionary plan for the Peruvian society. By this time, Peruvian elites agreed that the power and national income needed to be shared with the public to bring social improvement and stability. Also, Peru's long standing export-led economic system which overly relied on the U.S. had reached its limit of expansion. All of these internal and external conditions made it necessary for the Peruvians to change its economic system from 'laissez-faire' to interventionist, from export-led to import-substitution. This change was necessary for Peru to become more autonomous both economically and politically. Internally, this period can be marked as the time of distribution of power that was largely monopolized by a few elites. Velasco's attempt to build Peruvian solutions to Peruvian problems, however, failed despite the fact that this fundamental change was noteworthy and became the cornerstone for the future of Peru. The Peruvian problems, however, could not be solved by the Peruvian solutions when the fundamental problems were not purely Peruvians but were the result of a complicate mixture of local/national and systemic problems within the capitalist world-system.

The second crucial historical event of this period was the conflicts and disputes that Peru engaged with the United States. Peru's anti-U.S. policies and the

nationalization of private sectors, which were mostly owned and controlled by American investors, caused diplomatic tension between the two countries. In fact, this was part of the general trend that was spreading among the Latin American countries particularly in Cuba, Chile, Bolivia, Mexico, Argentina and Brazil. Such regional trend greatly influenced the U.S. foreign policy toward Peru including various sanctions to pressure Peru to reopen the door for U.S. corporations especially in fishery.

According to Wallerstein, strong resistance and opposition organized by the masses in the form of social and national movements appear when the contradictions within existing historical system, the capitalist world-system, and its limit of expansion brings total disruption to the society (Wallerstein, 2004a:87). In this manner, international anti-systemic movements that reached the peak in 1968 can be interpreted as the expression of the accumulated frustration of the oppressed against the existing capitalist world-system. Protectionist economic measures implemented by the Peruvian leaders and the rise of revolutionary movements can also be interpreted as the manifestation of double movement within a country. Internally, Velasco's reform policies were met by opposition from the oligarchic elites who did not change the existing system that enriched them for a long time. This can be understood as the representation of Polanyi's double movement where the public who wanted alternatives was confronted by the elites who wanted to keep the status quo. By the time of 1968 revolution, Peru's revolutionary reform programs ended up simply being the rhetoric due to the complicity of internal and external actors. The long-existing structural trend that originated from the Spanish colonial rule was the incorporation of Peru into the world economy and international division of labour for the exploitation of Peruvian natural resources and labour. However,

this period witnessed the limit of export-led economic growth that had been integral to U.S. imperialist exploitation and subordination of the Peruvian society and economy. The rise of shantytown activism was part of the Peruvian engagement in anti-systemic movement.

## **CHAPTER VI.**

### **Double Peripheralization Process under Neo-liberal Globalization (1980-Present)**

#### **6.1 Foreign Intervention within the World Neo-liberal Agenda**

By 1980, when the world-economy expansion reached its peak under export-led economic system, Belaunde who was the president from 1963 to 1968 replaced Bermudez and became the president once again. When he was reelected, multiple problems were plaguing the entire Peruvian society. He started to implement a full-scale neo-liberal agenda including privatizing state-owned companies, promoting export industries in order to restore the Peruvian economy. Similar to many of his predecessors, he believed that Peru's only hope for bringing economic growth was by attracting foreign investors. However, his policy was met with difficulties due to the decline in export product prices under the continuing recession that was triggered by the oil shock of 1973. Bermudez had to borrow huge loans again from the United States. The Peruvian economy hit the bottom in the early 1980s, resulting in social destruction and serious inflation in every section of Peru. The situation worsened and the overflow of imported goods in Peru resulted in the Peruvian manufacturing output declined by twenty percent between 1980 and 1983 (Dietz, 1998:53). A sense of grievance spread gradually among the public. Since Peru was not able to make payments for the external loans, the U.S. started to impose the structural adjustment programs by insisting that it was the only way to recover the economy of Peru. Yet as widely proven by the historical evidences not only in Peru but also in other Latin American countries where the U.S. applied experimental free-market economic system, these programs only aggravated inequalities, marginalization,



and deprivation, and further polarization was observed between the upper class and the lower class and between the rural and the urban area (Robinson, 1998/99:111).

In the neo-liberal economic system, the oligarchy allied with foreign corporations and investors earned enormous wealth from the export activities that were concentrated in the coastal areas, including Lima and Callao. In fact, the amount of production increased in the 1980s and lasted until the 1990s. The problem was that the price of these exports decreased as the world production of primary commodities increased under neo-liberal structural adjustment programs, leading the whole Latin America to face debt crisis which in turn led to the famous 'lost decade'. The people in these peripheral countries worked harder while real wages continued to decline, and it was only the upper class of these countries that profited. The poor were forced to live in poverty and were treated only as the source of cheap labour (Kay, 2005:326; Robinson, 1998/99:117; Williams, 2002:9). As a part of the structural adjustment programs (SAPs), the state was forced to cut public subsidies such as health and education expenditures in rural areas, and to introduce extensive capitalistic farming system that eliminated tenant farmers who were occupying small plots of lands. In addition, the extensive mining operation had brought ecological destruction of agricultural lands in the Sierra (Williams, 2002:4). Since most of the Andeans cultivated small plots of land, they barely made enough food for their own household. Moreover, they had absolutely no power or resources to compete with cheaper imported goods and the large foreign corporations who had more advanced technology with the control of vast areas of lands. This was the background of the emergence of the Shining Path and the Tupac Amaru Revolutionary movements that began in the 1980s and lasted for over a decade.

## **6.2 Sendero Luminoso (The Shining Path)**

The Shining Path first started in rural areas in the 1980s, slowly moving to Lima in the late 1980s in the form of armed revolts (Stokes, 1995:50). Its origin traces back to the Velasco reform policies that encouraged the active participation of the public to achieve true revolution and social change. Velasco encouraged workers and urban migrants in shantytowns to organize their own unions and communities. Since then, the urban poor who were empowered enough to gather whole communities in shantytowns began to protest and demand for their basic needs to the government. They were filled with revolutionary conscience, desperate for change and were sickened by the mere talk of revolution without action. The origin of these movements was “the unintended consequences of the period of military rule” (Stokes, 1995:51). While the main goal of the Shining Path was to oppose neo-liberal economic policies and to achieve economic improvement for the poor, the basic goal of the Tupac Amaru Revolutionary movement was to oppose U.S. imperialism. The common aspect in both movements was that both were against the high officials who engaged in never-ending corruptions and social injustice with no regard to national and public interest. These movements also aimed at looking for an alternative to replace the U.S. imperialism and its neo-liberal economic agenda.

The Peruvian state again took military force to repress these movements. Yet it only resulted in making them more organized, violent, and ready to fight against the state’s military. In the meantime, Peru was having another border dispute with Ecuador. There was also increasing coca cultivation by the peasants in response to an increased demand for coca in the U.S. and Europe. The Shining Path was deeply involved with

coca trafficking to sponsor its movement and armed forces. Under the pressure from the U.S. to end this cultivation and trafficking in black markets, the state took radical action to eliminate coca cultivations. The peasants who lost their only source of cash earning started to join the Shining Path movements that spread into areas where the cultivation was still continuing. However, the Shining Path accumulated wealth by selling coca illegally. In the process of spreading its goal in rural areas, the members of this movement became extremely violent and violently treated the peasants who refused to cooperate with them. They grew in power and tried to overthrow the current state using violence with the support of the poor. Yet they got very brutal and started to eliminate any opposition using any means. As a consequence, they failed to gain support from the masses and many rural areas experienced armed conflicts when they were caught up between the Shining Path and the state military forces. In this period, a large number of the rural Andeans was dislocated from their hometowns and looked for off- and non-farm source of income (Kay, 2005:330). In fact, during this period, Peru was confronted with huge food shortages. Peru was one of the countries where child malnutrition reached a dangerous point according to the World Health Organization (Plaza et al, 2006:110). The peasants had no choice but to move to safer places and migrated into Lima.

### **6.3 Garcia Regime and Peruvian Chaos**

In 1985, when Garcia took the presidency, the Peruvian society was in disastrous turmoil. Every aspects of society were in total chaos. Garcia was affiliated with the APRA party and adopted the populist-style government that helped him get substantial support from the left and the public (Dietz, 1998:55). As soon as he won the presidency, he replaced Belaunde's orthodox-style policy with social democratic-style policies by taking redistributive measures on behalf of the poor. These measures taken by Garcia also had another purpose of controlling the growing guerilla movement of the overly violent Shining Path. He also tried to control the debt problem by limiting debt repayment by ten percent so that he could spend part of export earning to improve social conditions and for the economic restoration programs (Dietz, 1998:55). Most of Peru's foreign exchange earnings was spent to pay off foreign debt rather than to be spent for national economic development. In consequence, substantial social improvement with economic recovery began to show between 1986 and 1987. He succeeded in boosting up total GDP and in reducing inflation from 165% to 78% in 1986 (Dietz, 1998:56). He also tried to resolve unemployment and underemployment problem through three crucial populist programs and by creating a special institution: the Employment program (PROEM), Direct Aid program (PAD), Program of Temporary Income Assistance (PAIT), and Institute for Informal Sector Development (IDESI). However all these programs faced crisis when the economy began to decline and disrupt in 1988. Seemingly successful policies applied by the Garcia regime turned out to be a temporary fix that was plagued by conflicting and contradicting goals: "rectifying worsening external imbalances, remedying the problem of deteriorating public finance sectors, and getting

the private sector to invest, all within the context of keeping inflation down and production up” (Dietz, 1998:57).

As he confronted with unexpected outcomes, Garcia employed a number of ad hoc policies such as nationalizations of private banks as the last resort without careful evaluation of such policy (Cameron et al, 1997:30-1). As a result, the economy began to collapse again with hyperinflation which rose from 87% in the early 1980s up until 7000% in 1988, and guerrilla movements rapidly grew (Massey et al, 2006:119). He was forced to ask help from the IMF and the World Bank in condition of installing neo-liberal structural adjustment programs (SAPs). As the populist policies for the poor were curtailed, the number of jobs available in the formal sector drastically declined. As a consequence, there was an explosion of informal sector jobs and the informal economic activities expanded in urban shantytowns. The residents began to open their own business as street vendors without reporting their activities to the official revenue authority. The grassroots community organizations in these shantytowns were behind his trend. In this process, shantytowns had become not only the residential sectors of lower classes but also the informal economic sectors building their own self-help welfare networks.

One of the most important aspects in community building in shantytowns was their communal system in contrast to the individualistic system under capitalism. For example, when a new migrant arrives, the community of previously arrived migrants helps the new migrant until he/she could settle down. They would help the newcomers to build their houses. As illegal settlement and informal activities expanded uncontrollably, the shantytowns in Lima brought a huge demographic change to the city. For example, 70% of the textile and cloth manufacturing industry was located in four of these towns in

Lima. In addition, with their numerical superiority, neighborhood organizations and collective commerce started to breakdown the century-long demographic patterns of Lima. Lima where the most of elites and the upper class had inhabited was outnumbered by migrants living in shantytowns (Dietz, 1998:1). By 1988, the Shining Path began to move their base to Lima and brought social chaos. In 1990, Peru was crying out for change and Alberto Fujimori, a Japanese-Peruvian, ran for presidency with his new political party called Cambio 90 (Change 90) (Dietz, 1998:61).

#### **6.4: Democracy in Peru? : Fujimori Regime and After**

Entering the 1990s, a monumental event happened in Peru. Alberto Fujimori, a Japanese-Peruvian, won the presidential election with strong public appeal as a completely new figure. For the first time, the president was not a Spanish/creole descendent nor from the traditional upper class. He received majority support from the public, especially the urban migrants who supported Fujimori with grassroots campaign. He received about 70% of the popular votes from the shantytowns. After many previous state leaders failed to deliver the improvement in the lives of the poor and to reduce chronic inequalities between the upper class and the lower class, the masses chose Fujimori with expectation that he could change the Peruvian society to a more democratic and equal society.

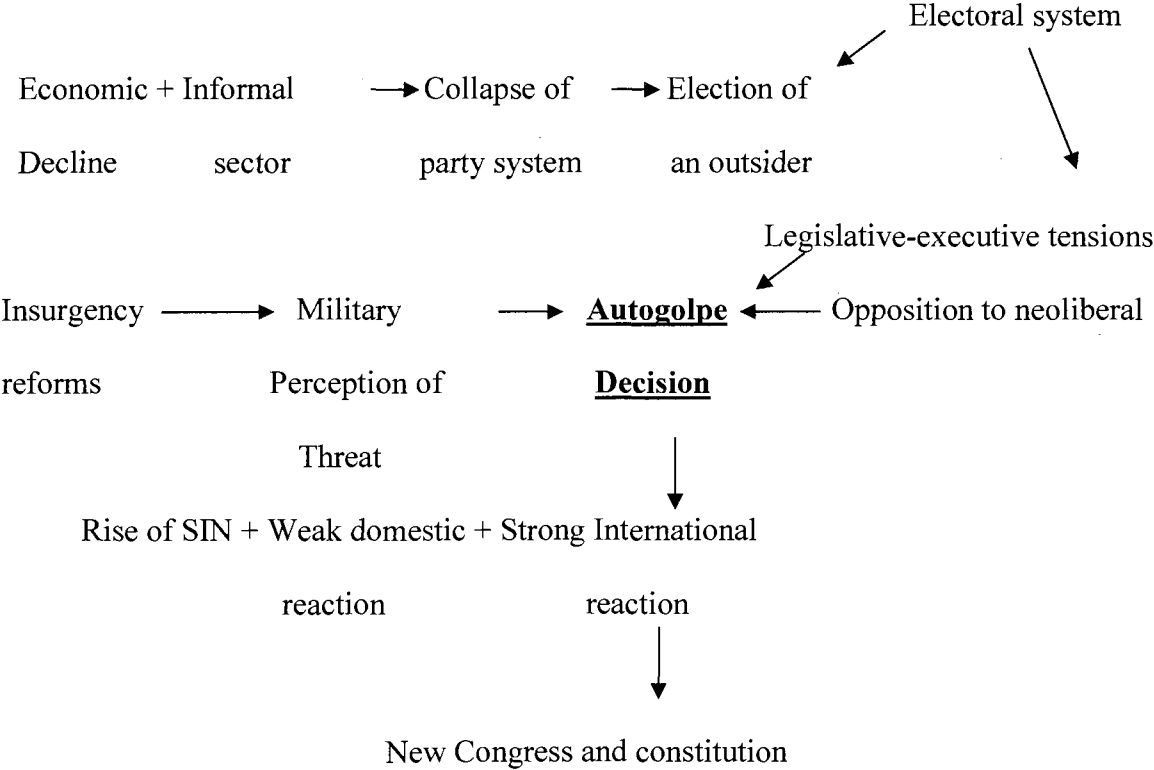
Fujimori's triumphant success in the election also showed the power of the public in terms of organizing political campaigns and mobilizing the voters to bring a social change according to the interests of the poor rather than the interest of the upper class. However, similar to the previous erratic leaders who failed to bring promised

improvements and social changes, Fujimori turned against his initial campaign pledge to bring institutional democracy into Peru (Cameron et al, 1997:38). He installed a full neo-liberal agenda and privatized many state-owned companies to foreign investors. In order to alleviate the impact of spending cut in government subsidies and many other SAPs initiatives that would surely upset the public, he launched the “Fuji shock” programs by receiving loans from the IMF and the World Bank (Williams, 2002:11; Maldonado, 2006:3). The seemingly improvement in economy was in fact a financial bubble. The real impact of massive loans and unpaid foreign debt started to disrupt and shook the entire Peruvian society. His stabilization program under free market and privatization policies only resulted in widening income gap between the rich and the poor and pushing the already poor into extremely poverty (Williams, 2002:11). Fujimori turned from a charismatic leader to an authoritarian dictator, joining the previous Peruvian leaders who failed to deliver fundamental social changes to the mass. As opposition grew against his policies, he pushed forward the Autogolpe (self-coup) in 1992 backed up by the armed military force (Cameron et al, 1997:39) (See figure 1).

As Fujimori turned away from his promised pledge and became a dictator, the power of the Shining Path was constantly growing and he declared war against it. Fujimori successfully suppressed this movement with all sorts of opposition measures and by jailing and exiling anyone that could potentially threat his position. One of his strategies was to create a close alliance with the United States. As the U.S. pressured Fujimori to act against the illegal coca cultivation and drug trafficking that the Shining Path was deeply involved with, he employed harsher suppression. Many of the Shining Path members had disappeared and in spite of the close alliance between the U.S. and

Fujimori, deeply involved with, he employed harsher suppression. Many of the Shining Path members had disappeared and in spite of the close alliance between the U.S. and Fujimori, the U.S. government was not fully supportive of him becoming dictatorial (Cameron et al, 1997:65). By amending a legislative law for the presidency, he was successfully reelected for the second term in 1995 in spite of the wide-spread suspicion of manipulating the election result (Cameron et al, 1997:67). In 2000, after losing American support, Fujimori was forced to exile to Japan. He was accused for “the death of thousands of poor people” in the middle of a war and political violence against the Shining Path (Robinson, 1998/99:122).

**Figure 1. Anatomy of Autogolpe: Peru, 1992**



Source: The Peruvian Labyrinth: Polity, Society, Economy, edited by Maxwell A. Cameron et al, The Pennsylvania State University Press, pp. 40, 1997.



In 2000, Alejandro Toledo was elected to become the president. He still kept the neo-liberal agenda with extended SAPs. He, therefore, did not receive public support, especially from the urban poor. He introduced a new program, “Plan Nacional de Vivienda”, to provide housing for the urban poor. However, the public found out that this program was created with the help of foreign loans to advance the privatization of public assets (Williams, 2002:13). The public both in urban and rural areas organized protests against globalization and the privatization programs that had caused nothing but extreme poverty and social deterioration. One of the mass protests that occurred in the southern city of Arequipa, Peru’s second largest urban centre, brought a temporary suspension of the privatization programs and Toledo had to make “an official apology” to them (Leon, 2002:90). Organizing various kinds of protests against globalization and neoliberalism had become routine for a highly politicized and socially matured public. In 2006, Alan Garcia returned to the presidency.

Since the Spanish colonial rule, the native Andeans have always been the sufferers under multiple oppressive structures. They continued to suffer from permanent and inherent inequalities, subjugation and exclusion. There has always been a division in the Peruvian society between the urban and the rural, and the elites and the poor. “Inequality, polarization, impoverishment, marginality” and total social breakdown aggravated even further when the Peruvian leaders were forced to adopt neo-liberalism and structural adjustment programs since the 1980s (Robinson, 1998/99:122). Rural peasants had no ability to compete with cheap imported goods and could not protest against the foreign investors that took away their land under SAPs. Thus, the rural peasants were forced to migrate to Lima. Newly arrived migrants who settled in the

shantytowns of Lima established their own housing with the help of the existing shantytown communities where the grassroots organizations prepared soup kitchens and community daycare centres. In Lima, frequent demonstrations and protests were held to demand basic infrastructures and public services to improve living conditions. After almost a five century-long exploitation and oppression since the Spanish colonial rule, the masses started to fight for their rights and emerged as the only social agent that might bring in the 'alternatives' that could truly change the Peruvian society.

### **6.7 Summary of Analysis**

The most crucial world historical event since 1980 was the emergence of neo-liberal globalization with its disastrous impacts, especially in the periphery including Peru. Since its independence, Peru lacked basic infrastructure and institutions and the country became dependent on foreign loans and investments. Even though the contracts with foreign investors were seemingly unequal and disadvantageous to these peripheral countries, they had no choice but to accept them in order to obtain fund. In the case of Peru, many leaders failed to bring changes because of their mismanagement in the inherently contradictory structures and mechanisms of the capitalist world-economy. As a result, Latin American countries including the Andean nations experienced devastating debt crisis that brought total social disruption and extreme poverty. The public, especially rural peasants and urban migrants who had suffered the most since the Spanish colonial rule was most seriously affected by the 'lost decade' of 1980s and skyrocketed foreign debt. Under neo-liberal economic programs, the extensive SAPs were implemented in the

name of economic development that only caused widening the income gap between core and periphery, urban and rural, and rich and the poor.

With expectation to have better opportunities and lives, migration continues to flow from the rural areas to Lima. Overpopulated urban areas could not accommodate them without having appropriate public low-income housing programs. As a result, self-help style housing in shantytowns grew enormously and resulted in fundamental demographic changes in Lima. The debt crisis and the SAPs curtailed government subsidies caused decreasing opportunities for formal employment. As a consequence, the shantytown residents resorted to self-help style employment, and the informal economy expanded. Strikingly, “unregistered business” contributed to estimated 40% of Peruvian national income (Doughty, 1992: chapter 2). Self-help grassroots organizations such as soup kitchen and community daycare centres became vital social institutions in Peru. Hundreds of shantytown community groups communicate with each other to share information. They often gathered their power to organize protests against the government policies and foreign investors. The poor who were sickened of empty revolutionary rhetoric and of social degradation emerged as self-help leaders of their own communities looking for an ‘alternative’ to capitalist or state-socialist system. Many Peruvian leaders had failed to bring revolution or social improvement. Instead, they ended up bringing in extreme poverty. The public who have been waiting for protection from the government for centuries decided to protect themselves with their own solutions.

## **CHAPTER VII.**

### **CONCLUSION**

#### **7.1 Chronological Understanding of Historical Events within Capitalist World-System Since 1532**

In 1532, Peru was incorporated to the capitalist world-economy by Spain in the process of European economic expansion. Competing with other European nations to discover trade routes and natural resources, the Spaniards landed in Peru. Since then, the Andean people involuntarily became involved with complex international, regional, and national affairs in economy, politics and society. During the early Spanish colonization period when Peru was incorporated into the capitalist world-system, Peru became the provider of raw material, mainly silver and other minerals, and cheap labour to Spain. According to Wallerstein, the capitalist world-system requires world-wide geographic zone within which there is an international division of labour that results in a significant increase of the exchange of “basic or essential goods as well as flows of capital and labour” (Wallerstein, 2004a:23). Also, deepening division of labour within the capitalist world-system separates countries and peoples into geographic zone called core, semi-periphery and periphery. In this process of international division of labour, Peru became raw material and labour provider that put Peru at the bottom of the hierarchy in the system as periphery. Here, I would like to point out the observation that goes against the common view shared by many anthropologists and ethnographers that the native Andeans have been passive victims of the system. As the above chapters discussed, the native Andeans were never inactive to fight for their own rights and they never consented to

such subjugation neither to the early Spaniards nor to the exploitive colonial rule. There have always been fierce revolts, rebellions and oppositions. The hostile reactions and fierce rebellions organized by the Andeans and the Inca descendants had in fact slowed down the colonization process and disrupted colonial exploitation.

In the late colonial period at the end of eighteenth century through the early nineteenth century, Spain experienced a decline in relation to other core European nations, and this brought expected and unexpected consequences that affected its colonies. Competing with other European nations, Spain was constantly engaged in confrontations and warfare in order to protect and maintain its power in Europe and beyond. As a result, Spain spent a lot of its national revenue to support its military for war engagement. Spain's decline reached its peak when Napoleon declared wars to conquer Europe. At the end of this chaos, Spain resigned and lost control over Peru. Prosperity and recession of Spain affected the course of development in Peru both directly and indirectly. Also, unique internal developments, both expected and unexpected, in Peru in turn brought huge impacts on Spain.

In the early nineteenth century when Spain lost its control over Peru, a new period began that is often called the post-colonial period. By this time, independence movement began to appear in colonies. As Latin American countries including Peru became independent from European colonial powers, all the nations in this region launched national economic development. In this process, a new regional block was created in Latin America that served as a sub-system within the interstate system of the world-system. In the nineteenth century, the United States rose as a new core nation in the system and the U.S. grew into the hegemonic contender within the system by the end

of the nineteenth century (Ikeda, 2002:107). The U.S. joined Europe late in the colonization process of Central America, the Caribbean, and the Pacific islands, but Americans faced with a growing resistance from the people in these areas (Ikeda, 2002:107-8). From the early twentieth century, the U.S. pushed the free-market system to create the “unlimited global market” with newly emerging multiple gigantic corporations (Ikeda, 2002:108).

Lacking basic infrastructures and economic, political and social institutions to build a strong nation-state and to pursue economic development, Peru was obliged to receive loans from core nations, especially the U.S. Within this capitalist world-system, economic development is the most important contributor to national building and state formation, and economic growth became the central goal for Peru like any other Latin American countries. To do so, Peru had to export its natural resources in the international market to increase national revenue to build basic infrastructures. In this way, Peru actively started to attract foreign corporations to invest in building basic infrastructures and in its export-business by making contracts and receiving loans. As a consequence, Peru became extremely dependent on fluctuations of external factors such as the international market condition and core nations to which Peruvian exports largely went. Crucial agents who were involved in such process and business were the creoles who formed an oligarchy that later monopolized export business concentrated in Lima. In this process, Peruvian society was divided into core and periphery between urban and rural areas. I call this ‘double peripherization’ process involving the peripheralization of Peru in the world-system and the peripheralization of the indigenous Andean population in Peru. The main characteristics manifested in core and periphery nations show exactly the

same characteristics in core and periphery at the national level. All of the government administrations and institutions were concentrated in Lima, the core, enjoying most advanced technologies, services and wealth with the most chance for development, while the rural, the periphery, did not have much administrations services with little chance for development. As only the U.S. and other core countries benefited from economic growth in the system at the cost of the rest of the world, only a few elites living in Lima benefited at the cost of the rural area and the rural population. In this process, the rural peasants, whose life conditions got worse over a long period of time, began to migrate to the cities. Toward the end of the nineteenth century and early twentieth century, the liberal economic system hit its own limit due to the exhaustion of markets and oversupply of goods as predicted by Marx. Soon, economic depression and the World Wars hit the world with disastrous impacts in both core and periphery. As a response, the states launched protectionist policies with increased intervention. Yet, Peru's unique internal conditions made the ruling class keep its export-led economy. In spite of a temporary economic expansion, the masses still suffered due to the uneven distribution of national income. The pain remained the same for the poor and migration constantly grew from the 1920s through the 1940s, and it exploded since the mid-1940s through the 1950s. This is the period when Peru gained most from the export-led economic expansion, but its economic gain was never distributed to the whole population, only widening the gap between rural and urban. Due to constant border disputes, conflicts of interest in the Amazon area, and limit of its own export-led economy, Peru ended up borrowing loans from international institutions such as IMF and the World Bank since World War II to maintain its growth. Another significant impact of World War II was a rise of movements

that demanded reform of the existing system. The high elites in Peru, the oligarchy, still maintained its wealth and they maintained alliance with the U.S. and foreign investors, but this in return triggered fierce opposition from the public. This opposition manifested in the form of fierce revolts, protest and strikes, jeopardizing Peru's diplomatic relation with the U.S.

The 1968 world revolutions coincided with Velasco and his new populist and state-interventionist policies that encouraged and educated the mass to organize unions and community activism. His mismanaged policies failed to bring social transformation and improvements, resulted in a totally unexpected outcome. The educated and empowered mass established allies with left political parties and organized social movements. Velasco faced fierce opposition instead of getting support, and there was a growing anti-systemic movement organized by the public including the workers, students, and some intellectuals who fought against the government and the U.S. imperialism. According to Wallerstein, strong resistance and opposition organized in the form of social and national movements by the public appear when the contradictions deepen within the existing historical system (Wallerstein, 2002:87). Peruvian experience is an example where exploitive processes in the capitalist world-system cause total disruption of a society. On the other hand, the oligarchy who wanted to maintain the existing system that provided them a consolidated ground to expand their profit can be understood as the pro-systemic force that formed the counterpart of the anti-systemic force. Together, they formed Polanyi's double movement. As Peruvian leaders accepted the neoliberal agenda and the SAPs prescribed by the IMF and the World Bank, its disastrous impacts lit anti-



systemic movements from the masses not only in Peru but also in the world particularly in the periphery.

## **7.2 The Functional Reevaluation of shantytowns in Contemporary Peruvian Society**

The formation of shantytowns has its historical origin in the Spanish Conquest of the Inca Empire in the early expansion process of the capitalist world-economy, but it became the centre of mass mobilization in contemporary Peru. Particularly since the Velasco's military rule in 1968, when populist policies and legislation encouraged the urban migrants to organize their own communities and the workers' unions that were at first created with the intention to control the people, shantytowns and their inhabitants unexpectedly arose as the centre of mass mobilization. The shantytowns were often called urban slums or "festering rings of misery" (Dietz, 1969:355). Dietz urges that "poor-quality and temporary dwellings should not be thought of as automatically hopeless and deteriorating" (Dietz, 1969:363). Rather, the development and growth of urban shantytowns were induced by vital social functions and the specific social conditions in Peru. In order to meet the needs of the times, the social functions that these shantytowns served evolved and multiplied. Therefore, we must understand this phenomenon as an important social development and the inhabitants as crucial social actors.

The formation of shantytowns were the only possible solution for housing problems that both early and later migrants could find in the absence of the public housing program, subsidies or income earning opportunity in the formal sector. In fact, this self-help style housing served public needs more than any other governmental

programs. As a community, each shantytown is organized organically to advance communal good. These organically organized shantytowns further created close links with other neighborhoods in the outskirts of Lima that became an institution that cannot be removed nor replaced. These shantytowns function as “the historical and contemporary links between the rural and the urban worlds” by keeping contacts and sharing information between the migrants and the others in their rural hometowns (Paerregaard, 1997:12). In addition to that, communities show us an example of a viable and generally coherent democratic social community structure that helps migrants to settle and assimilate to the new urban life with the support of earlier migrants (Dietz, 1969:367). These shantytowns provide a base to look for better opportunities and chances to have officially recognized houses and land for both the first and second generations. The shantytowns also play an economic function. The informal economy productions have sometimes accounted for about 40% of total national income. We must reevaluate this phenomenon as a crucial social structure and social group in the contemporary Peru. Most importantly, the shantytowns together with grassroots organizations and collective communities serve as the centre and the base of the mass mobilization.

### **7.3 Future Prospect**

As the contradictions of the capitalist accumulation deepened under globalization, it became routine events in Lima for the groups of urban migrants to organize protests outside government buildings demanding their rights as Peru citizens. Journalist, Rafo Leon writes that “Peru moves at so many revolutions per minutes that even its leading thinkers cannot keep pace” (Leon, 2002:90). Under globalization, full-

scale privatization program have served only to widen inequalities. As protests became fierce and out of control, the previous president Toledo even had to make an official apology to the people in Arequipa, where the government attempt to sell two of the state-owned electricity companies to foreign investors almost materialized (Leon, 2002:90). As Polanyi stated, “it is inevitable that people will mobilize to protect themselves” from “a catastrophic dislocation of the lives of the common people, a process of undirected change”, “the fabric of society was being disrupted; desolate villages and the ruins of human dwellings which the revolution raged” in the phase of double movement (Polanyi, 2001[1944]: xxxiv). With a growing sense of grievance accumulated for centuries in the heart of native Andeans due to the self-destructive contradictions of the capitalist world-system and through colonization and neo-liberal free-market plunder, they now seek an alternative that is good for all rather than only for a few. The conception of a ‘good society’ and a ‘new society’ “that allocates goods in way that is radically different from that of the (existing) society” in which they have lived since centuries, is now deeply manifested in their community actions and mass mobilization (Stokes, 1995:124). The sovereign state taking actions for the self-protection of the society has been absent in Peruvian society due to its unique historical schism between the creoles and the Andeans in the inherent exploitative structure of the capitalist world-system. An attempt toward ‘the good society’ appears to be in progress after the suffering of the Andeans from exploitation and desperation since Spanish colonization. In this systemic contradictions and injustice, the oppressed finally stood to protect themselves to create a better world. “Changes in consciousness”, which are deeply embedded in the mass, have induced social movements from below with “new goals” to create new kinds of social orders,

“new belief” that “raw pressure” can make the state act finally, and “new identities” that they build and express in full participation in community actions (Stoke, 1995:124). Growing anti-systemic movements based on grassroots organizations in the shantytowns now are supported by the millions of inhabitants that account for one third of entire Peruvian population. By their mere numerical superiority, the state leaders no longer can pretend that they do not exist. Rather, they now have to actively engage in responding to uncontrollable ‘raw pressure’ from them. Here, I do not agree to the term ‘Andeanization of Lima’ or ‘reconquest of Peru’ that is used recently to describe the process of shantytown formation and growth together with growing social and political mobilization because this term only reproduces the ‘compartmentalization’ of ethnic division in Peruvian society rather than promoting the unity and concession of the whole toward the good society. I believe what is happening in Peru is more than just regaining their Andean identities; it is more for ‘eternal progress toward the good society’ and for human dignity, democracy and equality (Wallerstein, 2004a). According to Robinson, there are four necessary conditions to breakdown the existing world system and its structural contradictions: an unified and broaden goal of social transformation, feasible and workable socioeconomic alternative to neo-liberalism, globalizing desperation and struggle of the oppressed, and deep and truthful involvement of world intellectuals “in serve of popular majorities and their struggles” (Robinson,1998/99:126-8). Of course, there are more problems to be solved than have been resolved and we have not found true alternative that is carefully examined and proven. By looking at the current trend in Latin America where the mass mobilizations are increasingly extending its scope at the

transnational level, the future can be bright. Victor Polay, the Tupac Amaru Revolutionary Movement leader said when he was captured in 1992,

The society must be re-created by the people—starting at the base. In every factory and in every school, there must be mechanisms of direct control by the people. The monopolies must be transformed into property of the people. By this, I don't mean state control. And by giving new life to our culture and customs, we can give our country a new identity” (quoted in Huaman, 2003:1).

The first task will be to spread this counter-hegemonic ideology to the people in the world especially people in core countries. Tomorrow is not promised. However, it does not stop or give us a reason not to move. Determined collective actions are vital.

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## Appendix.

### A. Peruvian Governments, 1821-2009

- 1821-22 General José de San Martín (1778-1850), Protector of Peru during transitory government; retired.
- 1822-23 Junta (Poder Ejecutivo), Marshal José de la Mar, (1778-1830), Congress appointed President of junta.  
Lieutenant Colonel Manuel Salazar y Baquijano (1777-1850). B. Felipe Antonio Avarado (1793- ?).
- 1823 Colonel José Mariano de la Riva-Agüeno y Sánchez Boquete. (1783-1858)  
Elected president by Congress.
- 1823-24 Marshal José Bernardo de Torre Tagle (1779-1825) named Hero of Independence by Congress.
- 1824-26 Marshal Simón Bolívar, (1783-1830), the Liberator. Named dictator by Congress. Marshal Antonio José de Sucre (1795-1830) named President of Republic of Bolivia formed 1826.
- 1826-27 General Andrés de Santa Cruz (1792-1865), President of Council of Government.
- 1827-29 Marshal José de la Mar elected first constitutional president.
- 1829 General Antonio Gutiérrez de la Fuente (1796-1878).
- 1829-33 Marshal Agustín Gamarra (1785-1841) named president by Congress after revolt.

- 1834 General Pedro P. Bermúdez (1793-1852) self proclaimed Jefe Supremo by golpe.
- 1834-35 General Luis José de Orbegoso (1795-1847), Provisional President by Constitutional Assembly.
- 1835-36 General Felipe Santiago Salaverry (1806-1836), Jefe Supremo by golpe.
- 1835-37 General Andrés de Santa Cruz, Protector of Confederacion Perú/Bolivianna, in response to appeal from Orbegoso.
- 1837-38 General Luis José de Orbegoso, Provisional President by decree of Congress and Santa Cruz.
- 1838-41 General Agustín Gamarra, President, named by Congress.
- 1841-42 Manuel Menéndez (1793-1847).
- 1842-43 General Francisco de Vidal (1800-1863), Second Vice President assumed authority due to default of president and First Vice President. Ousted by golpe.
- 1843-44 General Manuel Ignacio de Vivanco (1806-1873).
- 1843-44 Domingo Elías (1805-1867), Jefe Supremo General Domingo Nieto (1803-1844), president of junta to convene Congress. General José Félix Iguain (1800-1851).
- 1844-45 Manuel Menéndez.
- 1844 Justo Figuerola (1771-1854) moved to power as Vice- President of Consejo de Estado.
- 1845-51 Marshal Ramón Castilla (1797-1867) elected president by vote.
- 1851-55 General José Rufino Echenique (1808-1887) elected president by popular vote.

- 1855-62 Marshal Ramón Castilla, by revolt, and confirmed Constitutional President by Congress.
- 1862-63 Marshal Miguel de San Román (1802-1863), elected president by vote.
- 1863 General Pedro Diez Canseco (1815-1893), Second Vice President; Poder Ejecutivo due to death San Román and absence of Pezet.
- 1863-65 General Juan Antonio Pezet (1809-1879), First Vice President; President due to death of San Román.
- 1865-68 General Mariano Ignacio Prado (1826-1901), president (dictator) by golpe.
- 1868-72 Colonel José Balta Montero (1814-1872), elected president by vote.
- 1872 General Tomás Gutiérrez (?-1872), dictator. Golpe to prevent Prado presidency.
- 1872-76 Manuel Pardo y Lavalle (1834-1878), elected president by vote.
- 1876-79 General Mariano Ignacio Prado, elected president by vote.
- 1879-81 Nicolás de Piérola (1839-1913), Jefe Supremo by revolt.
- 1881 Francisco García Calderón (1834-1905), approved as Provisional president by junta.
- 1881-83 Rear Admiral Lizardo Montero (1832-1905), First Vice President; Poder Ejecutivo when FGC confined in Chile.
- 1883-86 General Miguel Iglesias Pino (1830-1909), provisional president by Constitutional Assembly.
- 1885-86 Consejo de Ministros.
- 1886-90 General Andrés A. Cáceres (1883-1923), elected president by vote.
- 1890-94 General Remigio Morales Bermúdez (1836-1894), elected president by vote.

- 1894 General Justiniano Borgoño (1836-1921), Second Vice President (RMB died).
- 1894-95 General Andrés A. Cáceres elected president but yielded to junta.
- 1895 Manuel Candamo (1841-1904), president of junta of Civico-Democráticos led by Piérola.
- 1895-99 Nicolas de Piérola, by popular vote.
- 1899-1903 Eduardo López de la Romaña (1847-1912), elected president.
- 1903-04 Manuel Candamo, elected president by vote.
- 1904 Serapio Calderón, V.P. (1843-?); Poder Ejecutivo at Candamo's death.
- 1904-08 José Pardo y Barreda (1864-1947), elected president.
- 1908-12 Augusto Bernardino Leguía Salcedo (1863-1932), named president by Congress.
- 1912-14 Colonel Guillermo Enrique Billinhurst Angulo (1851-1915), named president by Congress.
- 1914-15 General Oscar R. Benavides Larrea (1876-1945), by revolt. President of junta; then provisional president.
- 1915-19 José Pardo y Barreda, elected president by vote.
- 1919-30 Augusto Bernardino Leguía Salcedo, by golpe. President Provisional, then Constitutional.
- 1930 General Manuel María Ponce (1874-1966), President military junta.
- 1930-31 Lieutenant Colonel Luis M. Sánchez Cerro (1889-1933), president by golpe.
- 1931 Ricardo Leoncio Elías (1874-1951), Poder Ejecutivo as President of Supreme Court.
- 1931 David Samanez Ocampo (1866-1947), president military junta.

- 1931-33 Lieutenant Colonel Luis M. Sánchez Cerro, elected president by vote.
- 1933-39 General Oscar R. Benavides Larrea (1876-1945), by Congress when Sánchez Cerro assassinated.
- 1939-45 Manuel Prado y Ugarteche (1889-1967), elected president by vote.
- 1945-48 José Luis Bustamante y Rivero (1894-1989), elected president by vote.
- 1948-50 General Manuel A. Odría (1897-1974), led golpe by junta.
- 1950-56 Manuel A. Odría, elected president by vote.
- 1956-62 Manuel Prado y Ugarteche, elected president by vote.
- 1962-63 General Ricardo Pérez G., by golpe. Military junta: General Nicolás Lindley L., General Pedro Vargas P., & Vice-Admiral Juan F. Torres M.
- 1963-68 Fernando Belaúnde Terry (1912-2002), elected president by vote.
- 1968-75 General Juan Velasco Alvarado (1909-1977), president by golpe.
- 1975-80 General Francisco Morales Bermúdez (1921-), president by golpe.
- 1980-85 Fernando Belaúnde Terry, elected president by vote.
- 1985-90 Alan García Pérez (1949-), elected president by vote.
- 1990-2000 Alberto Fujimori, elected president by vote.
- 2000-06 Alejandro Toledo, elected president by vote.
- 2006- Alan García, elected president by vote.

Source: Peru and the Peruvians in the Twentieth Century, Politics and Prospects, pp. xii-xv, 28-29, Margaret Y. Champion, Vantage Press, New York, 2006. Also added by author from 2000.