

Economic Groups and Privatisation, Foreignisation, and Concentration Tendencies

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1. Introduction

This paper studies the evolution of economic power groups (EPGs) in Peru from mid-twentieth century to the beginning of the twenty-first century, being the highest, most modern, and organised form of economic concentration. The paper analyses the tendency towards an increasing concentration of economic power as the greater capacity of large companies to produce goods and services. It also analyses the strengthening of private power and foreign capital, as well as their forms and levels of association with national EPGs. Finally, it discusses how these tendencies consolidate over time driven both by economic and political-ideological factors. However, this process does not take place uninterruptedly when the elites lose political control of the state, and it is always controversial — even in periods where private interest rules, or perhaps precisely because of this.

Indeed, when observing the history of EPGs, one notices that the concentration in private hands has experienced periods of expansion and contraction, entering lately into a period of expansion leading nowadays to historically high levels. Through these phases, we observe the EPGs' tendency to organise themselves from a business perspective as modern corporations, imitating multinational companies, and to hire more and more managers to run or even direct them. Both components — national and foreign — tend, despite the growing importance of multinationals, to establish political relations among each other, projecting themselves from within their parent company (individual action) and from their associations (collective action) towards the state and society.

We seek to answer the following questions:

- What are the main sources of economic wealth in Peru? Who owns them? What happens to the structure of property when other sources of wealth and more modern forms of property appear?
- Which factors and circumstances trigger the phase of wealth deconcentration? Why can it be so easily reversed?
- How and to what degree are the national and foreign EPGs economically articulated? How to explain the gradual, but persistent pre-eminence of foreign capitals? What are the consequences of this for the economic and political role of Peruvian EPGs?
- What kind of power do EPGs have over the state in terms of access and influence? How do governments and economic policies contribute to the extreme concentration of wealth in private hands? To what extent have EPGs managed to be politically and ideologically hegemonic?

Due to the subject's complexity and the variety of studies and statistical indexes available, our answer to these questions is merely an approximation.¹ The object of these analyses are the EPGs, the protagonists of this concentration, who have therefore awakened the interest of researchers (Espinoza & Osorio 1972; Anaya 1975, 1990; Malpica 1965, 1990; Alcorta 1992; Dammert 2001; Vásquez 2000; Diez Canseco 2002; Durand 2003, 2010; De Althaus 2007; Torres 2013). Based on these sources and my own thoughts regarding EPGs and other business issues, I have identified four phases of alterations concerning the concentration of economic power, the relationship between national and foreign EPGs, and the entanglement of economic power with politics:

- 1) Phase of Concentration. Between 1910 and 1940, private wealth concentrated around extractive-exporting activities such as the exploitation of cotton, sugar, new minerals, and oil. National capital was led by agrarian businessmen (*agrarios*), also called oligarchs; they had great political power within the state, but weak parties and little legitimacy. Foreign capital participated with extractive-exporting company towns and big commercial houses. In this phase, foreign capital began rising to the dominant economic position. At first, under an oligarchic republic, these economic elites exercised power directly. However, after the emergence of mass politics, they started exercising power indirectly through the military and agreements with popular parties.

¹ Concentration of economic power is a theme that has been unevenly investigated and in which analysts use several types of indexes.

- 2) Phase of Wealth Diversification. Between 1950 and 1968, new sources of wealth appeared in extractive-exporting activities such as copper and iron mining, anchoveta fishing, and urban-industrial activities. The latter relied on the growth of the domestic market and cities, driven by big companies. The first EPGs emerged as financially successful families diversified, while at the same time multinational post-war companies entered the Peruvian market (from 1945 onwards), where they started conglomerating. In this phase, it is possible to observe a hegemonic aspiration of the new EPGs, based on a new discourse of modernity.
- 3) Phase of Deconcentration of Private Wealth. Here the dynamic becomes political. Between 1968 and 1975, anti-oligarchic, nationalist forces took over the state, leading to a relative weakening of private property. The agrarian oligarchy and the old company towns and foreign commercial houses disappeared, while national EPGs started to emerge. Foreign capital reduced its presence, and the state directed the economy. There was an attempt to create a system of mixed property with state capitals, private capitals, and social participation. However, this attempt could not be consolidated. The EPGs sought to revert this system and to return to a model in which private property dominated. From 1975 onwards, national EPGs began developing a more defined hegemonic calling. This meant the end of this phase. This hegemonic calling was further strengthened in 1987 when the EPGs defeated a statist project and tried to form their own political party.
- 4) Phase of Reconcentration. From 1990 onwards (after a period of recurring crises and political struggles between 1975 and 1990) began a process of reconcentration of economic power in national and foreign (of multiple origins) EPGs. In this process, foreign EPGs tended to predominate, while national EPGs tended to transnationalization. Private wealth concentrated once again both in urban-industrial and in extractive-exporting activities, including agrarian activities, which were quickly reprivatised. This phase witnessed the birth of a business republic, which reflected on the high degree of political influence of EPGs. However, they exercise power indirectly, by adjusting to popular leaders who they capture. EPGs achieve success in the field of discourse by spreading a business culture in order to legitimate extreme wealth, profiting from the great exporting boom of the beginning of the twenty-first century. Nevertheless, they remain distanced or disconnected from the wide popular and business social base.²

2. Concepts and Approach

So called EPGs are diversified conglomerates with a position of leadership in one or more economic activities. From the perspective of their organisation, they operate as corporations, both national and foreign (from Latin-American countries and multinational corporations from all around the world). Furthermore, they operate with a logic of competition or association. EPGs are large multi-business organisations that manage to achieve a position of “market dominance” in those branches where their main companies are active. This is reflected by the degree of economic concentration they achieve.

Politically, EPGs manage to easily access the state and develop high degrees of influence in the design and execution of public policies. Concerning their relationship with civil society, they operate in a market in which they are “big fish in a small pond”, generating “envy” in all the rest (Leff 1986). This situation may lead to a dynamic of social questioning and political opposition, to the point that their levels of access and influence may be reverted or limited.

EPGs coordinate tenths of legally independent companies that usually carry out different activities and are present in different regions. This greater sectorial and spatial presence, together with the weight they gain, allows them to have corporate managers that administer the entire enterprise as a unit from the headquarters in Lima. Both concentration and centralisation of capital allow them to reduce transaction costs, limit competition, diversify, and build market alliances. In addition, they are able to project themselves as “big power” on the state, pervade it, and to invest in order to legitimise themselves before society. All this contributes to the stabilisation of their long-term earnings rate. This allows them to better endure negative economic cycles and, more generally, to profit from available business opportunities.

² The issues of hegemony and legitimacy are very complex and deserve to be treated separately. Since this paper focuses mainly on the EPGs and the concentration, I refer to these issues just briefly. My intention is to point out, rather than to prove, the connections between the economic and political-ideological dimensions.

Most national and Latin-American groups are led by prominent members of business owning families, expressing a form of *family capitalism*. This is a primary form of accumulation of business wealth, which is still prevalent in countries like Peru. As time goes by, as things change and family succession crises eventually ensue, or as market competition grows, the groups end up turning more frequently to non-proprietor managers. This “managerialism” balances out the “familialism”, giving the EPGs a more technocratic and modern character. However, the move towards “managerialism” is slower at the higher levels of management since the group leaders try to stay at command of their fleet to maintain the benefits and power that results from the dominance they enjoy before political forces and from the business, social, and political prestige that accompany their positions. In some cases, when there are no candidates inside the family with the required leadership capacities to manage these conglomerates, they place managers as group leaders.

In the case of foreign EPGs, they are giants directed by global corporations that appoints managers of subsidiaries answering to a parent company in the world’s capitals. This phenomenon led to a discussion regarding the modern form of *centralisation of capital* (Hymer 1972). Once settled in the host countries, taking a parent subsidiary as their basis, they conglomerate and acquire the multi-business physiognomy that is typical of EPGs. Unlike Latin-American EPGs, the true owners (individuals, families) of multinational companies are unknown to the public. Therefore, they are perceived as an “invisible” power (Fuller 1984: 36), abstractly identified through an omnipresent logo and subliminal publicity (Klein 1999). This way, modern capitalism has replaced cathedrals with shopping malls, which parishioners attend not only to consume products, but also to be indoctrinated in the worship of the market god.

By *economic concentration* I understand a market dominance position achieved by one or more large companies; this position is determined by the greater capacity to produce goods and services in the economic sectors where the companies of the EPGs operate. To identify the empirical manifestations of dominance as leaders of the private sector, it is necessary to use certain indexes to measure the importance or the ranking place EPGs hold in the economic activities that steer the economy as multisectorial EPGs. More generally, it is also possible to analyse concentration according to the types of property: private (national and foreign), state and social (modern cooperative and traditional communitary).

Due to its leading position in the most profitable and modern activities, EPGs are the main investors in the national economy — and, therefore, important taxpayers and employers of better paid staff. This contributes to their being perceived by the state, civil society, and the rest of business and institutions as the most powerful actors. Thus, all other actors are left with the burden of deciding how to deal with EPGs and how to relate to them since they cannot be ignored due to their significance. Within civil society, “envy” or rejection are combined with admiration for that which represents “economic success.”

EPGs-State relationships and, more generally, large business-State have been the object of academic, political, and public policy debates, which I will now briefly summarize. Some authors argue that the sectorial size, its importance and the national (and international) presence of large companies explain why they receive a “privileged treatment” compared to the one enjoyed by medium and small companies and other actors such as unions or consumers (Lindblom 1977). Others contend that the relationship with the state escalates when private agents organise politically and advance ideologically, even achieving control over branches of the state. This phenomenon is known as “state capture,” and it extends throughout the world as the concentration of economic power and economic globalisation accelerate and as mega corporations — the main agents of world economy — together with local EPGs escalate their forms of political action (Omelyanshuk 2001).³ This “capture” phenomenon is also currently discussed in Peru and is part of popular conceptions, as it’s shown by the widespread opinion that “those who lose elections (economic right-wing parties associated with the EPGs) win governments” (López 2012).

Because this paper offers only an approximation, here I can only *trace* the history of these agents of capitalist economy operating in a middle-sized and nominally developed country — in other words, I offer a process tracing analysis. The analysis of the *processes* in which the main economic actors are involved shows that there are both constants (high concentration, pre-eminence of the private sector) and changes (tendency towards the predominance of foreign capital, decline of the oligarchy, emergence

³ I have developed this theory for the Peruvian case following authors such as Omelyanshuk, among others. See Durand (2010).

of the EPGs, and some phases of deconcentration). The phenomenon of EPGs shows that by the end of the twentieth century a *new elite of economic power* characterised by extreme wealth began to form. However, unlike the old agrarian oligarchy, their wealth concentrates in multiple companies which operate in different markets and spaces (domestic and foreign, with a diversified basket of exporting goods), and not as before in exporting agrarian large estates concentrated on a handful of commodities. They also enjoy a greater legitimacy, without it being entirely uncontested.

In this transition, we observe that at the beginning of the twentieth century the Peruvian economy was dominated by an agrarian oligarchy or the *agrarios*. This economic-family elite owned highly productive exporting agrarian large estates which concentrated thousands of hectares. They also owned valuable urban estates and were shareholders or owners of other companies; they were the main allies of foreign capital. The social and land power, and the forms of domination of this oligarchy over workers, towns and peasant communities was total, but also openly abusive and, therefore, easy to identify and condemn. At the beginning of the twenty-first century, with the emergence of new market dynamics and populist-nationalist political changes (which began in 1968 and started to decline in 1975), the oligarchy disappeared and its great power and influence status was inherited by new EPGs located in different economic sectors, and functioning within large urban contexts, often in association with multinational companies.

Even though some large families and the stronger EPGs possessed considerable wealth, national oligarchy and EPGs taken together ended up concentrating less material power than foreign capital. This phenomenon proved to be highly persistent and was deepened by the economic globalisation at the end of the twentieth century. In fact, the Peruvian Republic always lacked a strong competitive and visionary national capital. National capitalists were glad to be a mere train carriage, instead of being the train engine; they developed a convoy mentality, renouncing national leadership. This fundamental weakness was reinforced from the beginning, when the Republic was indiscriminately opened for capitals from more developed countries.

Despite the uneven power distribution between national and foreign capitals, or perhaps because of it, their relationships have been characterised by collaboration, convergence, and association rather than by competition, struggle, and conflict. Historical evidence shows that national and foreign EPGs, despite some tensions, have preferred to come together and closely collaborate in different ways. Considering the asymmetry and differences in the origins of both groups, it is somewhat surprising that, even though large national capitalists in charge of EPGs have less economic power than the foreign capitalist, they have greater political-social power. How can we explain this paradox?

Let's not forget that Peruvian EPGs "belong to the country" and can, therefore, better steer the political agenda through their support organisations (law firms, publicity agencies, consultants), their influence on the media, and their contacts with political parties and influential members of society. Thus, thanks to this *know whom*, they have better chances of translating material resources into access and influence. The larger foreign partner has no interest in acting alone; by operating as an autonomous force of political influence, they risk being rejected for "interfering in national affairs" especially because they are directed by foreign managers that must report to their parent companies abroad. Their lack of knowledge is compensated by the *know whom*⁴ of their national partners and the advisers they hire.⁵ This is also reflected in the economy, where national capital — mainly large national EPGs — are able to establish relationships with large foreign investors, to establish market alliances and form joint ventures, sharing stock and participating in directories.⁶

This power alliance, however, is not definitive. Private economic concentration and its tendencies can be modified by the intervention of a relatively autonomous state. Under such conditions, it becomes

⁴ In the context of this paper, "know whom" refers to knowing the right economic and political agents to do business more effectively. This knowledge is usually possessed by economic and political elites, and is of great advantage to foreign investors (translators note).

⁵ A brief remark on the types of relationships between large businesses and the state. Peru does not fit with the model of a banana republic, such as those small and undeveloped countries of Central America who openly accepted the tutelage of foreign giants. In the case of Peru, a larger and more complex country, it is convenient for foreign capital to share political manoeuvring with national partners by doing business together.

⁶ This associative dimension of power is harder to document since it has a qualitative rather than a quantitative nature. However, it is sufficiently well-known so as to sustain the claim that an increase in economic power implies, through political mediations, a certain level of power over the state, which can be measured in terms of profitable access to and influence over the decision-making process and the distribution of resources (signs of hegemony).

possible to modify the pattern of relations between capitals so that the development of the national private capital and the state may be a priority, balancing out the enormous influence of foreign capital. Certainly, in the historical transition from an agrarian oligarchy and enclaves to power groups and multinational companies that took place in Peru in the second half of the twentieth century, a lot has happened, including a moment when politics and the state ceased to support and promote extreme private wealth.

Thus, the political process can sometimes contradict the market tendencies and impede or negatively affect the political access and influence of EPGs, depending on the changes that take place in moments of political crisis and cycles of economic recession. The country experienced populist-nationalist periods under the administrations of Juan Velasco (1968-1975) and Alan García (1985-1990). Velasco was more important, since he ended the oligarchy and expropriated the old foreign enclaves and large commercial houses or forced them to retire; he also strengthened state and social property and advanced social legislation. However, this alternate model — a mixed economy with strong state intervention — was historically late in comparison to other Latin-American countries (it could have started during the crisis of 1930, like it did in Brazil and Chile; or in the decade of 1940, like it did in Argentina) and was never able to reach stability. Gradually, largely because political support was precarious and the entrepreneurial state was financially vulnerable, the EPGs and the centre and right-wing opposition started fostering the conditions to overthrow this model, and to introduce, amidst a great recession in the eighties, a new and more modern form of private concentration of wealth in the hands of the EPGs. It is important to highlight the more general idea that the *deconcentration of private economic power* discussed here is a politically determined economic phenomenon.

My claim that concentration of private wealth was a constant in the long-term implies that those “historical radical moments,” when the state was able to alter private concentration and predominance, were reverted. The end results of political struggles and the economic factors entangled with them show that certain business and conservative forces were successful in concentrating wealth once again in a small circle of large national and foreign conglomerates.⁷

3. Phase 1. Concentration (from early to mid-twentieth century)

A quick historical survey shows that one century ago the Peruvian economy was under the control of an exporting agrarian national oligarchy located mainly in the valleys of the coast. Its nucleus was composed of 40 families who owned large estates (*haciendas*) and other properties (Bourricaud 1989: 39). This elite of family clans had a very strong internal cohesion and had become politically hegemonic, first through the development of elitist parties (the Civil Party, during the Aristocratic Republic) and then through the military. However, this group was weak at the level of discourse, since it lacked legitimacy.

The oligarchic clans came originally mainly from Western Europe and their leaders were allies of large foreign companies, mostly oil-exporting enclaves, mining companies, large cotton traders, commercial houses and Banks from Europe and the USA. National and foreign actors did business with each other, and they were socially and culturally related. This secured the cohesion of this power elite. The common ethnic-cultural base facilitated relations and agreements of social, economic, and political nature. This relationship was even stronger in the case of foreign capitalists and managers who bound themselves to large Peruvian families through marriage. All of this led to a fusion of elites that facilitated forms of mutual support in business and politics, while the oligarchy remained at the top.

These two great owners' sectors (national and foreign) controlled the production of raw materials for export and shared power with urban groups of merchants and banks (the Prado group was particularly important) closely related to them (Yepes del Castillo 1972: 127-182; Portocarrero Suárez 1997). In the case of mining and fossil fuels, foreign capital was dominant (on account of the size of the investments and the advanced technology required). In the case of mass media, the opposite was the case: the main newspapers and magazines belonged to important Peruvian families.

Generally speaking, towards 1910-1920, private property dominated in a context of few and not particularly powerful state-owned companies. A further important actor in this context were the communities of peasants and indigenous peoples; they were still collective owners of great areas of land

⁷ I will now concentrate on the *when* rather than on the *how* to not lose sight of the main issue at hand: the EPGs and the concentration of economic power. However, I have discussed this thoroughly in other texts; see especially *Riqueza económica y pobreza política* (2003) and *La mano invisible en el Estado: crítica a los neoliberales criollos* (2010).

(peasant communities of the coast, the highland, and the Amazon rainforest). However, market dynamics, the tendency to turn communal property into private property, and the *agrarios*' offensive aimed at land accumulation — which was strengthened with the support of the governments they directly or indirectly controlled — meant a severe drawback for communal ownership, though not to the point of disappearing. At the same time, despite the privatizing and individualist tendencies of the time, the community as an institution remained since it regulated social life (Plaza 1995).

The economic-ownership weakening of this traditional form of property was driven during this period mainly by the “land hunger” of the *haciendas* generated by the exporting boom of cotton and sugar in the coast, the exporting of wool in the southern highland, the development of modern mining in the highland, and the modern exploitation of forests. “Hungry” and “thirsty” crops, that is, expansive crops such as cotton in the Piura valley and sugar in Lambayeque and La Libertad — both highly profitable new exporting goods at the beginning of the twentieth century — led to the expansion of the properties and power of a fistful of large families in the valleys of the coast. In some cases, immense areas were acquired, for instance, the giant mining company Cerro de Pasco Corporation bought thousands of hectares in the Mantaro Valley (Matos Mar & Mejía 1980: 20-21). In the Amazon rainforest, large plantations and timber companies appeared.

These modifications in the forms of property and the higher economic concentration accelerated during the eleven years of the Leguía Administration (*Oncenio de Leguía*), a corrupt dictatorship that promoted the arrival of foreign capital mainly of North American origin (Mayer de Zulén 1930). Leguía strengthened all legislation favouring labour and peasant control while also promoting the economic development of large estates and companies. These policies would be later carried on by military regimes starting with that of Sánchez Cerro following the crisis of 1930. Regarding this point, Rosemary Thorp and Geoffrey Bertram state that: “The participation of sectors controlled by foreign capital in relation to the total value of exports went from 17% in 1920 to 49% in 1930” (1978: 296). Another source corroborates the tendency of foreign capital to focus on new extractive activities: “mines and oiling wells are in their huge majority controlled by foreign capital” (quoted by Cotler 1978: 191-192).⁸ The concentration of land only became an object of measurements and considerations in the second half of the century during the national debate on large estates and their relation to the “Indio problem” (who were subjected to archaic forms of labour exploitation and were robbed of their land). In the sixties some quantitative estimates were made available, showing the degree and type of economic concentration in oligarchic Peru as well as the market power held by certain large families and foreign enclaves and companies.

In 1961 a statistical report of nationwide “agricultural and livestock units” measured by hectares clearly showed the high level of concentration achieved. A small number of 1026 people owned properties of 2500 or more hectares, controlling a total surface area of 10 651 830 hectares. Coastal oligarchy possessed the best pieces of land, which had better irrigation systems and were closer to the docks, roads and transportation systems. Chieftains in the highland (*gamonales*) also held particularly good properties, but their crops were less profitable. The rest, most of them small owners and indigenous peasants, owned 842 000 agricultural and livestock units, which amounted to 7 070 209 hectares (Valderrama & Ludmann 1979: 20).

At the nucleus of the oligarchy were cotton and sugar producers, and large families of Lima. Their wealth was concentrated in land for the modern production of agricultural, livestock and mineral goods, but they also had properties related to other activities. As the Commission for the Agrarian and Housing Reform of 1960 aptly pointed out, “large property... has diverse forms”, “those which use methods of intensive exploitation, with important investments aimed at improving the land... as well as equipment and utensils, whose exploitation is centralised” stand out (Comisión para la Reforma Agraria y la Vivienda 1960: 38). It was this oligarchy, rather than landowners, who shared power with large foreign capitals. However, the image of power associated with large estates in general (traditional and modern; in the coast, the highland, and the rainforest) was so strong that it concealed the fact that, in terms of power, profit was more important than extension. National debate on land and oligarchy in the different

⁸ Before the beginning of the country's economic modernisation, and the great demographic changes (leading to the emergence of new businesspeople who later formed conglomerates), which started gaining significant momentum in the decade of 1940, wealth was mainly concentrated in a select group of large landowning families. These large families not only possessed numerous *haciendas* and estates in the main valleys of the coast, but also companies or stock and urban properties in Lima and the most important cities of the country. The same occurred on a smaller scale in the remaining valleys and regions.

regions was focused on concentration, since that was the origin of power at every level (local, regional, and national), and also due to the fact that land expressed a form of top to bottom domination then called “triangle without a base”. The expression was coined by Julio Cotler, who spoke of “multiple unconnected radii converging in a single vertex”. The system of domination prevented the base articulation of the poor, the peasants, and the wage earners since they all depended on favours they received from the masters in exchange for loyalty (Cotler 1969: 65).

In colonial times and at the beginning of the Republic, agriculture was not, however, the main source of wealth. Actually, the analysis of the sources shows that mining and commerce (imports-exports, including guano) produced more wealth accumulation due to their links to the world market. But the high international demand for products such as cotton and sugar, and to a lesser degree, the domestic demand for it (amidst the second World Industrial Revolution, led by the USA at the beginning of the twentieth century) favoured the emergence of this powerful exporting agrarian large estate oligarchy. Shortly after its formation — characterised by a mixture of feudal labour traits and a tendency to employ free wage earners and modern technology — it earned the reputation of having great power and was identified, due to its origins and political connections, as a “coastal plutocracy” (Basadre 2003: 224-226). Its most modern sector organised itself into agricultural associations, acquiring a business form and manifesting a more modern form of agrarian conglomeration. However, all of them were identified using the generic term “large estate owners” or “oligarchs” (Matos Mar & Mejía 1980: 23-24).

The coastal farming wealth began having a growing economic presence and huge fame at the time that Carlos Malpica published his influential work *The Owners of Peru (Los dueños del Perú)*. In its first edition in 1965, amidst the raging debate on large estate ownership, Malpica presented stunning data concerning the total hectares of the estates and *haciendas* held by large families, their multiple sources of wealth and their properties outside farming.

Based on this information, I have built Table 1 to illustrate which were the main oligarchic clans (Gildemeister, De la Piedra, Izaga) and foreign agrarian companies (Grace & Co.) in the period before 1968. This corresponds to a structure of high concentration of economic power in private hands.

Table 1 – Land Concentration in the Coast (1964)

Family	No. of cultivated ha	No. of uncultivated ha	No. of grasslands (or timber) ha	Department	Main crops
Gildemeister	32 213	105 131	120 000	La Libertad, Cajamarca	sugar, rice, cotton
De la Piedra	10 707			La Libertad	sugar, rice
Izaga	4 651 (+6 600 rented)			Lambayeque	sugar
Brescia	7 817			Lima	several
Aspillada Anderson	7 585			La Libertad	sugar
Mujica Gallo	7 380			La Libertad	sugar
Romero	6 000	80 000		Piura	cotton, rice, fruits
Zoeger Dall’Orso	6 453			Piura, Lambayeque	cotton
Picasso Perata	5 925			Ica, Lima, Lambayeque	grapes, cotton

Checa	5 762			Piura	cotton
Pardo	5 342			La Libertad, Lambayeque	sugar
Grace & Co.	5 196	7 309		Lima, La Libertad	sugar
Hibck Seminario	4 553		100 000 grasslands	Piura	cotton, livestock
Palacios Moreyra	4 433	21 239		Lima	
Seminario Retto	3 818			Piura	cotton
De la Borda	3 495			Ica	cotton
Olaechea	1 344			Ica, Lima	

Source: Malpica (1965: 11-39). Table made by the author.

Malpica's work calculates power according to the total of cultivated or irrigated hectares giving also, in some cases, information regarding the uncultivated land that was part of the *haciendas*. The Romeros were cotton businessmen of Piura and had 6 000 cultivated ha, but owned a total of 80 000 ha. The most extreme case was that of the Gildemeister sugar producing family of Trujillo who owned 32 213 cultivated ha, 105 131 uncultivated ha and 120 000 ha of grassland and timber. One ought to add to Malpica's list the livestock division of the Cerro de Pasco Corporation, who owned a super large estate of 320 000 ha in the highland (Matos Mar & Mejía 1980: 21).

Although Malpica offers no information concerning large urban families, it is obvious that at the time of publication of his famous book, what actually mattered as a source of power was the number of cultivated or irrigated hectares and the type of crop. Obviously, the possession of large areas of uncultivated land amplified the idea of great power (economic, political, and social) and of extreme concentration of wealth, producing "envy" amongst the rest of the population. However, it neither produced high profits, nor did it allow to move capital to other sectors. This oligarchy was perceived as all-embracing at a local and regional level to the point that their leaders were known as "masters of lives and *haciendas*". Despite this, the ones who actually had a national leadership role were the cotton and sugar magnates organised as a guild in the National Agrarian Society. Their leader Pedro Beltrán, cotton magnate of Cañete, was a public figure and owner of *La Prensa*, one of the capital's main newspapers. The study by Mariano Valderrama and Patricia Ludmann, *Peruvian Oligarchy: Yesterday and Today (La oligarquía peruana: ayer y hoy, 1979)*, based on the archives of the Office for the Agrarian Reform after the massive expropriation of large estates that started in 1969, offers more accurate data for individual valleys. For example, without going into any further detail, in the case of Piura—the main cotton producing valley of the country—most of the large families were organised under the capitalist system.⁹ Considering these indexes, more exact than those of Malpica's study, we can observe in Table 2 how high the amount of land owned by families of Piura was. This suggests an extremely high concentration in a small group of families that operated as clans and were directed by a leader who articulated the different branches of the families and directed modern entities called companies, negotiations, or agricultural societies as a whole. On this basis I have built Table 2.

Table 2 – Concentration of Cultivated and Uncultivated Land in Piura (1969)

Company or <i>hacienda</i>	Family	Pieces of land	Hectares
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⁹ In addition to owning thousands of cultivated hectares, they had several thousands of uncultivated hectares.

Negociación agrícola Mallares	Romero	Mallares	71 332
Negociación agrícola Calixto Romero y cía.	Romero	San Miguel, Cumbibira, Santa Ana	11 367
Agrícola Santa Sofía	Romero	Santa Sofía	1 004
Soc. Agríc. Gan. Miguel Checa	Checa Eguiguren	Sojo, Jibito de la Capilla, and others	17 869
Negociación agrícola Victoria	Checa Eguiguren	La Golondrina	23 981
Checa y Co.	Checa Velarde	Paccha	1 275
Cía. agríc. y gan. Malingas	León y León	Tambogrande	50 000
Hacienda Buenos Aires	Rospigliosi López	Buenos Aires	24 000
Agrícola San Cristóbal	Rosas Razzeto y Rosas Zorrilla	La Manuela, La Venturosa, Santa Teresa	21 698
Cía. agríc. y gan. Talandracas y Poclús	Reusche León, Leigh Reusche	Huala, Poclús, Talandracas	21 537
Inmobiliaria agr. Moscala	Arrese	Morropón, Franco	15 700
Cía. explotadora Alto Chira	Bel Houtghton	Lagartos, Huaypira Izq., La Sauche	13 909
Soc. agríc. y ganad. Pabur	Arens Hilbck, Seminario	Pabur y Vicús	12 700
Agrícola Santa Albina	Irazola Vignolo	Miraflores	6 643
Flores Burneo Hermanos	Flores Burneo	San Joaquín, Jambur, Progreso Alto	5 095
Hacienda Ocoto Alto	Celi Burneo	Ocoto Alto	5 000

Source: Valderrama & Ludmann (1979: 75-102). Table made by the author.

Paying attention to land ownership may offer a better idea of the distribution of social-spatial power, but a worse understanding of the concentration of economic power since, as many specialists claimed before the Agrarian Reform in 1969, the real source of power was the modern use of land to produce raw materials to be exported, rather than the mere possession of land (Bravo Bressani 1971; Basadre 2003).

4. Phase 2. New Sources of Wealth and Emergence of EPGs (1950-1968)

In this phase, some important activities such as open-pit mining were concentrated from the beginning due to multinational copper and iron megaprojects. However, small and medium capital entered the market of urban-industrial businesses (finance, industry, construction, real estate, except for the automotive industry) and that of the exporting fishing industry (fishmeal, canned fish). With time and due to the high speed of economic change, this capital would become large companies. As the stronger capital strengthened the accumulation process in these wide-base activities, the capital led by businessmen with greater vision regarding the possibilities offered by the new economic horizon started to conglomerate and to form EPGs.

The emergence of these new sources of wealth reinforced the concentration of property and triggered a series of changes. First, the protagonists of concentration were large modern companies. Second, their

visibility also changed—being less evident than in the countryside where large *haciendas* or company towns were symbols of their power—due to their location in large cities where they shared the space with thousands of smaller businesses. Third, the strengthening of foreign capital and its association with national capital was accelerated, whereby the latter ended up as minor partners. Fourth, this phase opened greater legitimation possibilities due to the emergence of new businessmen and an incipient managerial class. Managerial theories and practises started to develop, promoted by new educational institutions such as IPAE and ESAN, who criticised family capitalism in a veiled way through their slogan “the manager is made, not born”.

In the sixties, the steering of the economy was progressively transferred “from the oligarchy to the bourgeoisie” as part of a process of strengthening and modernisation of the private sector, which was reflected in the relative weights of the types of capital as percentage of the GDP. As Table 3 shows, in 1950 the state sector (which started to develop in hydroelectric plants, such as Mantaro and others) represented only 7% of the GDP, and by 1968 it represented 11% (hydroelectric plants developed by Belaunde).

Table 3 – Participation in the GDP of the Different Types of Capital

Type of Capital	1950	1968	1975	2000
State sector	7%	11%	21%	6%
Foreign capital	10%	22%	11%	28%
National capital	43%	34%	27%	28%
Cooperatives	–	–	8%	–
Total business sector	60%	67%	67%	62%
Total non-business sector	40%	33%	33%	38%
Total GDP	100%	100%	100%	100%

In 1950 private national capital represented 43% of the GDP, decreasing to 34% in 1968 due mainly to the growth of foreign capital (fostered by North American, European, and Japanese multinational companies), which jumped from 10% in 1950 to 22% in 1968. Anaya gives more precise information about this tendency: between 1940 and 1969, 242 subsidiaries of multinational companies entered the national market (1975: 49). The remaining percentage of the GDP labelled “non-business sector”, corresponds mainly to peasant communities, which went from representing 40% of the GDP in 1950 to 33% in 1968. This reduction was the result of the advance of private forms of property and of the slow dissolution of peasant property (Matos Mar & Mejía 1980).

The entrance of multinational companies to the national market meant that the growing foreignisation of the Peruvian economy did not only take place in new areas of accumulation such as the automotive industry, the textiles industry, electronics, pharmaceuticals, basic chemistry, open-pit mining, and finance, but also in the old economy of cotton and sugar where the exporting agrarian oligarchy started to increasingly associate with foreign capital. Some data show this growth in foreign presence. Towards 1965, multinational companies from the USA controlled 100% of oil and iron exports, 88% of copper, 67% of lead (all of them activities with high concentration due to the volume of investment they require). However, USA companies also had a growing presence in activities where there was more national capital, such as fishmeal (30%), sugar (23%) and cotton (7%) (Hunt quoted by Cotler 1978: 275-276). These facts shaped the debate concerning powerful elites and brought to centre stage the issue of hegemony. Bravo Bressani (1971), for example, doubted the existence at the time of an oligarchy with great economic power. The term “oligarchy” actually described the political dominance of a few, still economically powerful, who faced the challenge of new fortunes. It was therefore necessary to

distinguish between economic predominance and hegemonic capacity. The latter can be understood as a system of domination and maintenance of power, including a form of persuasion that is slowly built, requiring political skills.¹⁰

In this sense, the sixties were a period of hegemonic transition, for the new EPGs started to stand out economically as powers, but they had not been yet able to build their political hegemony. At the same time, the old agrarian oligarchy still enjoyed a reputation of being powerful due to its political capital, although this no longer matched its economic power. Valderrama and Ludmann, in a book published after the Agrarian Reform that liquidated the power of the oligarchy, rightly point out that, despite the economic changes, “the agrarian sectors” continued to play “a preponderant role” in the political life of the country (Valderrama & Ludmann 1979: 49). I, according to my notion of hegemony, wish to add that this old oligarchy had three advantages. First, it had high levels of social and associative (the National Agrarian Society) cohesion, more political experience, and a greater capacity to build alliances (this oligarchy formed the so-called cohabitation and super cohabitation with the political party APRA). Second, the oligarchs also established an alliance with the highland chieftains (*gamonales*), who had great local and regional influence. The aim of this alliance was to defend large estates. Third, the oligarchy was the sector of proprietors with more to lose in the imminent Agrarian Reform; this produced high levels of motivation and cohesion.

How deep was the economic change, and how advanced or strong was the hegemonic transition experienced by the new EPGs? They did not lack in initiatives. This incipient presence manifests itself in the emergence of new reformist political parties: Acción Popular (AP) and Democracia Cristiana, supported by the new economic powers. Precisely AP was elected in 1963 with a developmentalist proposal directed by Fernando Belaunde, the “architect of a new Peru”. Belaunde tried to win support from the modern sectors of the capital city, and to negotiate a limited agrarian reform and a moderate nationalisation with the agrarian oligarchy and the International Petroleum Company (IPC). His aim was to unblock the political process and to accelerate the economic development being driven by emerging industrialists and multinational companies. It was not a bad idea, but this reformist plan failed because of the obstruction practised by the agrarian oligarchy with the support of the APRA. Later, the economic crisis of 1968 and Belaunde’s and his party’s poor management of the political situation, together with scandals, heightened the political tensions, leading to an unexpected outcome.

Humberto Espinoza and Jorge Osorio offered the first reference to the EPGs that included statistical indexes concerning their market power (1972). This allowed the authors to classify EPGs according to their weight or significance within the market. In recent times, the importance of EPGs had increased as a parent company due to its high profits and funding and diversified to become a conglomerate. The significance of this study lies in the fact that it focused the study of economic power concentration on the manufacturing industry and in that it was based on value data concerning the fixed assets in 1968, at the end of this phase. Espinoza and Osorio identified “groups” or “constellations” (since these had crossed investments) based on statistical indexes to show the drive of the new EPGs and the arrival of capital to several sectors. By then, many capitals of agrarian, mining, financial, commercial, and fishing origin had investments in the manufacturing industry—the most rapidly growing sector—as Malpica had pointed out five years earlier. In their identification of the main industrial EPGs, Espinoza and Osorio detected multiple sectorial origins. Furthermore, they showed that many EPGs came from “traditional sectors” of the economy, and that “in most cases, they were minor partners of foreign capital”. Both issues are relevant for the present investigation (Espinoza & Osorio 1972: 40). Espinoza and Osorio claimed that Peruvian capitalism was transiting “from specialisation to diversification”, and that there was a “tendency towards the formation of conglomerates” (1972: 39). They spoke of the development of a phenomenon they called “business articulation” where several companies share common interests. However, Espinoza and Osorio were not able to identify how the control of property and management expressed itself, that is, who—which families—controlled which shares in each large company and EPG.

5. Phase 3. Deconcentration (1968-1975)

¹⁰ On this matter, see the more recent discussion of the three dimensions of corporate power: economic or structural, political, and discursive (Fuchs 2007).

The Revolutionary Government of the Armed Forces directed by General Juan Velasco, with the advice of reformist left-wing intellectuals, generated a profound, albeit short-lived deconcentration of private economic power. This was so because it successfully attacked diverse forms of oligarchic and foreign wealth concentration with policies of expropriation, regulation, and promotion. However, it facilitated the growth of Peruvian EPGs. Later, as fiscal problems worsened by the end of the seventies, with a growing external debt, EPGs began to move, in order to “turn the tables” once Velasco was overthrown. The deconcentration actions of the Velasco Administration were the following:

- With the Agrarian Reform of 1969 and other actions, the government ended the power of agrarian oligarchs, both of the cotton and sugar magnates, and of other non-agrarian manifestations of oligarchic power (Prado group). The Reform implied the expropriation of *haciendas* and companies, closing the large estates association (the SNA), and even the expropriation of mass media groups.
- The government reduced the presence of foreign capital and the private presence in exports. Multinational companies such as the IPC, the Cerro Corporation, Marcona Mining Co., the Peruvian Corporation, ITT, and others were expropriated. The entire anchoveta fishing sector was intervened (fleet and processing plants). Additionally, several foreign groups such as Grace & Co., and Anderson & Clayton sold their assets and left the country. Banks were also expropriated (Continental, Internacional). Due to these initiatives and to the creation of new public companies, by 1975 there were 147 state companies, manifestation of a state power concentration. By the end of the Government, all mass media, except magazines, was also under state control.
- The state gained indirect control over the entire agricultural sector and directly controlled part of the following sectors: large-scale mining, anchoveta fishing, strategic petrochemical industries, iron and steel industry, paper production, cement industry, oil industry, energy, telephones, and international trade. It also had an important participation in the development finance institutions and in means of transportation (railways and airways).
- The Government was able to limit foreign capital and to renegotiate with investors to set new rules. It attracted some multinational companies in the mining (Cuajone) and industrial (Bayer Industrial, and new automotive companies) sectors. It established fixed limits for the percentage of shares that might be owned by foreign companies (they were not allowed to own more than 20% of the capital of banks, 49% in the manufacturing industry).
- Communal peasant property was strengthened in the coast and the highland, achieving for the first time the recognition of Amazonian indigenous communities. The Agrarian Reform expropriated 8 million hectares of 11 664 *haciendas*, part of the expropriated land was given to communities, and agrarian and livestock cooperatives were created. Non-cultivated land and unused concessions were transferred to the state. 2835 peasant communities and Amazonian indigenous communities were recognised. A system of shares co-participation and management was introduced, the “labour communities”: 2882 in industry and 89 in medium-scale mining. Finally, 8 companies of social property were created, 63 more were under planning by 1975. Labour unions were also strengthened.
- Finally, thanks to the new economic policy of market protection and industry incentives (tax, credit, and financial), the industrial manufacturing sector was dynamized, also promoting the exports of manufactured goods. All of this contributed to the development of an urban-industrial bourgeoisie with a wider base, and with products with a greater added value, which profited from the demographic and urban growth. Within this bourgeoisie, concentration was strong.

Because of these changes, the relative weights of the types of property and the levels of private economic concentration were drastically modified. While in 1968 the state sector represented 11% of the GDP, by 1975 it had reached 21%. In the same period, private national capital descended from 34% of the GDP to 27%. Foreign capital (mostly affected by nationalisations and restrictive measures) went from 22% to 11%. Finally, the cooperative sector (result of the Agrarian Reform) went from 0 to 8%, while the “non-business sector” (built by small units) stayed at 33% of the GDP throughout the period. These numbers show that during this period the state generated an efficient process of deconcentration of the economic power of the private sector, without taking it out of the way, but by “reforming” it.

Deconcentration was relative due to the development of national EPGs who, thanks to the then current legislation, became the main shareholders in industries and financial institutions, while foreign capital remained as a minor partner. Therefore, the Velasco administration was the first one to revert these historical tendencies. Because the spaces for accumulation in the urban-industrial economy were dynamized and some families of oligarchic origin with greater vision concerning the new sources of wealth preserved assets (and understood that instead of leaving the country, as many of the oligarchs who defunded their agrarian industries before the reform, they could stay and prosper), national EPGs grew and became the main expression of private economic power, although they were economically subordinated to the state.

In this grey context, a dozen of large EPGs started to show up. Most of them were vertically integrated around a parent company: brewers (Bentín and Lanata Piaggio), flour producers (Nicolini), winemakers (Picasso Salinas, Olaechea Álvarez Calderón), commercial enterprises (Ferreyros, heavy machinery and industry), communications (Delgado Parker), construction (Piazza, Graña y Montero), industrial-urban-financial enterprises (Brescia, Romero, Raffo, Wiese) and in medium-scale mining (Benavides). These groups emerged by accumulating capital in niches that were not affected by state policies. Many of them even took advantage of the state measures that limited their most important foreign rivals and of the generous state subsidies in credit, finance, taxes, and public services (water supply, electricity, telephone, transportation).

There was a merely relative deconcentration of private power due to the development of national EPGs who, thanks to the legislation of the time, became the main shareholders in industries and financial institutions. Foreign capital (most affected by the reform) was reduced to the role of minor partner or remained as single manifestation of power in certain activities, though acting from abroad in the shadows, as an important credit provider with the support of international financial organisations. The latter sought to promote economic globalisation, eliminating protectionist barriers such as those implemented by the government of Velasco. Therefore, indirect foreign investment played a more important role than direct foreign investment by financially binding the state. This factor contributed to the end of this phase and the beginning of the next one. Regarding productive investment, the most important process was the growth of national EPGs who ended up being the principal expression of private economic power. These emerging limeño groups, all of European ethnic-cultural origin, grew by taking advantage of the niches that were not affected by state policies, and through the multiple subsidies and nationalist measures that limited foreign capital.¹¹

This last factor explains the consolidation of Peruvian groups in banking and financial institutions. The most salient case was that of the Banco de Crédito del Perú (BCP), the largest bank in the country in terms of capital and network of offices. Its control was assumed by a Peruvian alliance led by the Romero group with the support of the Brescias and Raffos. This alliance brought the votes of middle and small shareholders together, displacing the Italians and their allies in 1978. In the insurance industry two groups consolidated: Romero (El Pacífico, later merged with Peruano-Suiza) and Brescia (Rímac). Therefore, thanks to facilitating actions of the state, the process of concentration led to the formation of a strong core of industrial-financial groups corresponding to the existence of new nuclei of capital accumulation. This process showed the type of “modernisation” that the country was now embarked on. Considering the control of a key sector of the economy and its significant diversification, one could argue that out of all the EPGs, and with relation to the private sector in its entirety, the alliance of industrial-financial groups around the BCP (a group that was owned by various groups) became the most powerful and influential private core.

Politically, the EPGs waited for the best opportunity to trigger the fall of the Velasco administration and to benefit from it. Thus, they had to contribute to ending the “mixed economy” model so that private interests could once again, this time without oligarchy, steer the economy despite the threat posed by foreign competition. Their second major political task (the first one was to support Belaunde in 1963) was to politically demolish velasquism and its reforms and controls, to spread an anti-state ideology, and to reify the market. Despite the alterations of the economic cycle and the political disturbances the country experienced after the fall of Velasco, the fulfilment of this task advanced progressively. It must be noticed, that even though there were some industrialists interested in promoting the free market, in

¹¹ The Romeros and Brescias lost *haciendas*, but they kept and increased their industrial assets and benefited from the exit of foreign capitals from the market, being able to buy their assets at extremely convenient prices.

general, EPGs, foreign capital and its technocratic expressions became dominant and managed to impose their own vision of change.

Let us get back to the issue of the importance of banking. It's worthwhile highlighting the "articulating power" of industrial, construction and commercial companies. This tendency turned them into "supergroups" and started to gain traction after the fall of Velasco's government (Carlos Franco, *Introduction to Anaya* 1990: 13). This economic hegemony of structural nature and of post-oligarchic Peru awakened the interest of the main analysts on banking (Alcorta 1992) and in the way banking was articulated with the rest of the economy (Anaya 1990; Malpica 1990). They suggested, without stating it explicitly, that an industrial-financial hegemony was beginning to take shape in Peru.

The mentioned research progressed in the diagnosis of the new structures of economic power and even assigned proper names to the EPGs, producing a kind of identikit of the "new owners of Peru". Based on state statistics, access to companies' yearly reports, specialised journals and thanks to the growth of Lima's Stock Exchange (founded in 1971), who demanded registered companies to make their information publicly available, it was possible to establish which families and investors controlled the conglomerates and who were their minor partners. Indexes were also accurate enough as to determine the weight of the companies of the EPGs in all economic sectors, and of the EPGs themselves in the national economy.¹²

The emergence of new EPGs, however, was a sign of a wider phenomenon of concentration of economic power. As the growth of the domestic market deepened (despite the recessive episodes of 1978, 1984 and 1988, which debilitated some groups; a negative effect that would later be combined with the opening of the market) and new sources of wealth linked to the domestic market developed, new emerging groups appeared. Some of the most remarkable cases were Wong in supermarkets, Wu (Yi Chang) in commerce and industry, Rodríguez (Gloria) in the dairy industry, and Belmont (Yanbal, later Ebel and Belcorp) in cosmetics. These groups, who emerged in critical circumstances, were predominantly of provincial and popular origin and a sign of a capitalist "democratisation" taking place for the first time in history in Peru, relativising the traditional power of families of Limeñan and European origin.

A more systematic and holistic study was carried out by Humberto Campodónico, Manuel Castillo and Andrés Quispe of the research centre Desco: *From Power to Power (De poder a poder, 1993)*. Their study focused not only on rankings and economic power, but also considered associative expressions and the political *modus operandi* of the new bourgeoisie (I will come back to this point later). This work established a hierarchy among the EPGs according to the value of their fixed assets. I would like to mention a dozen of them. Out of this dozen, four EPGs had control over banking (Romero and Brescia in the BCP, Wiese in the bank of the same name, and Picasso in the Banco Latino). In financial institutions, as already mentioned, two groups dominated the insurance sector (Romero and Brescia). Many of the other groups were also minor shareholders in the BCP (Ferreyros, Raffo, Nicolini, Verme, Ísola).

This select economic minority (called by the press the "twelve apostles" after a private meeting they held with President Alan García) originated from a parent company, and they all shared a European or Spanish immigrant origin, predominantly Italian (Brescia, Raffo, Nicolini, Lanata Piaggio, Picasso), followed by German (Wiese) and Spanish (Benavides de la Quintana, Bentín, Delgado Parker, Ferreyros, Romero). The EPGs had diversified following mainly a model of vertical integration: generating links "forward" and "backwards" to reduce their transaction costs and to stabilise their profit rate.¹³

In Table 4 we can observe how this dozen originated at different times, forming a powerful elite led by two groups with great economic power, which can be measured by the value of their assets: Romero with 548 million US dollars and Brescia with 408 million dollars. Both of them were major shareholders of the BCP group of groups led by Dionisio Romero Seminario.

Table 4 – Value of the Assets of the 12 Largest EPGs around 1989

¹² Specialised information also began to be available in specialised publications of business rankings such as the *Andean Report*, the *Peru Report* in the eighties, and from 2000 onwards, *América Economía* and *Poder*.

¹³ For example, the largest brewing companies (Cristal of the Bentín family, Pilsen of the Lanata Piaggio family) produced bottles, cases, labels. Once the beer was produced at lower costs (their own companies sold these products to the brewery, reducing their transaction costs), they also owned the storage, transport, and distribution companies.

EPG	Parent Company	Year of Foundation	Sector	Value of the Fixed Assets around 1989 (in US million dollars)
BCP	BCP	1889	banking	held by Romero, Brescia, Raffo and other groups
Benavides	Buenaventura	1952	mining	127
Bentín	Backus & Johnson	1954	brewing	287
Brescia	Agrícola Fortuna Brescia	1913	real estate, industry, insurances, hotels	408
Delgado Parker	Radio Panamericana	1940	radio, TV	
Ferreiros	Casa Ferreyros	1922	commerce, industry	102
Nicolini	Nicolini Hermanos	1900	flour and food products, banking	184
Lanata Piaggio	Casa Basso y Piaggio	1860	commerce, oil, brewing	257
Picasso Salinas	Bodegas Vista Alegre	1857	wine, banking	
Raffo	Tejidos San Cristóbal	1880	textiles, real estate, banking	206
Romero	Calixto Romero y Cía.	1888	commerce, oils, textiles, finance	548
Wiese	A. y F. Wiese	1917	commerce, finance, real estate	59

Source: Data of the value of fixed assets taken from Campodónico *et al.* 1993: 120. Table made by the author.

What was the role played by these EPGs in the political process? Actually, the emerging EPGs had at first to adapt to the rules of the Velasco Administration, not out of conviction, but out of necessity. They seemed to support the reforms, but in fact they rejected statism and did not want to remain under the supervision of the state. Thus, they waited anxiously for the opportunity to liberate themselves from this tutelage, even if it meant risking falling under other forms of tutelage: those of foreign capital and the forces of economic globalisation. EPGs did not seriously consider the possibility of developing a national capitalism in alliance with the state or by themselves. Instead, they preferred to rely, as they had always done, on multinational companies and international forces that sought free capital and goods mobility. Lacking ideas of their own concerning economic policy, national EPGs basically followed the liberal recommendations promoted by the International Monetary Fund (IMF), preaching free market, deregulation and privatisation. National EPGs supported these policies even though it meant they would once again become minor partners of foreign capital and that they might lose positions (or even be forced to leave the market entirely) in the face of stronger competitors.

During the Velasco Administration, EPGs applied politics of accommodation, a typical tactic of national bourgeoisies of countries that are integrated to the world market in a position of subordination. Before the state, they showed themselves as a new generation of “businessmen open to dialogue”; they spoke with the military, they participated in business conferences and shared some spaces of power. The most notorious leaders of these groups were named as members of the advisory councils of some Ministries and even of the boards of some state companies.¹⁴ Their political tactic (unlike the one of associations such as the National Society of Industries, opposed to the labour communities and, therefore, in open confrontation with the Government) was one of collaboration with the Velasco Administration. However, they were actually playing a double game. While they were open to dialogue with the radical military, they forged alliances with the more conservative officials with the aim of favouring a privatizing political change that would stop and, eventually, revert deconcentration.

Their opportunity to act came in 1975 with the coup d'état of Francisco Morales Bermúdez. This conspiracy was supported by the EPGs and, quite symptomatically, Morales Bermúdez spoke of the beginning of the “counterreform” (discussed in the Annual Conference of Executives – CADE 76). However, progress was limited due to the resistance of different military factions to sudden change due to the complex political situation and to the organisational weakness of the businessmen (they were not yet confederated). Therefore, they were forced to accept the Constitution of 1979 and its hybrid ideal of a “social market economy” promoted by the political parties APRA and PPC. However, they managed to deactivate the labour unions after the great national strike of July 1977. This meant the beginning of the weakening of the “base of the [social] triangle” which had started to form in the sixties. This tendency was later accentuated by the recurring episodes of economic crisis, political violence, and the anti-labour union legislation of the following decades.¹⁵

Under these influences, the second military government privatised fishing, declared the end of the Agrarian Reform, changed the nature of the shares of labour communities (they went from being collective to individual and, therefore, negotiable), and lowered customs duties’ protection and subsidies. All of these policies were negotiated with the IMF in exchange for credit to solve the fiscal problems that erupted in 1978 and followed. The country’s sinking into a difficult period both nationally and internationally (economic crisis, political instability and violence, crisis of the Latin-American external debt) and the fact that large EPGs still lacked a developed political capacity made the business identification with neoliberal policies promoted by Washington stronger. It also consolidated the EPGs dependence on the political parties that appeared in the sixties.¹⁶

This tendency to “turn the tables” and deepen the “class struggle from above” had an erratic course. At first it was continued by Belaunde in 1980, when democracy was reinstated, by promoting the reprivatisation of the media and the cement industry and by reducing custom duties even further. Large EPGs supported these measures and started preparing modernisation strategies to face competition. However, the Government’s policies showed little success due to the crisis of the Latin-American external debt in 1982 as well as due to the country’s situation: political and street violence exploded, preventing the attraction of foreign capital. Without the adequate conditions, Belaunde abandoned the economic policy recommended by the IMF. The country entered a new nationalist phase with the government of Alan García in 1985. García broke with foreign capital by limiting the payment of the external debt, and by carrying out or promoting some nationalisations (Belco, Leche Gloria).

Faced with the state’s fiscal weakness, which worsened since 1983, García tried to govern in an alliance with the “twelve apostles”, the main investors. This alliance, whereby the political class offered EPGs and the business sector a national agreement, did not last long. The President himself, disappointed by it, unilaterally broke it in 1987 faced with the lack of new investment projects, the capital flight, and the currency speculation organised by banks. In these circumstances, EPGs made their greatest show of political force by defeating the statist project by mobilising the press, exercising pressure on Congress, and through legal actions and political mobilisations. This seemed to announce the dawn of business-oriented politics, since for the first time, businessmen were out on the streets instead of acting from the shadows. From this moment on, they firmly aligned themselves with the international anti-state, privatising and liberalising discourse. They also developed an aspiration to “do politics”, supporting an

¹⁴ On this topic, I have fully discussed the attitudes of businessmen from 1968 onwards in Durand (2003).

¹⁵ After the great national strike of July 1977, the Government passed executive orders authorising arbitrary and rapid termination of thousands of labour union leaders.

¹⁶ These recommendations were called the Washington Consensus.

electoral coalition in favour of opening the markets, led by Mario Vargas Llosa in 1990. The coalition led by Vargas Llosa was supported by the AP and the PPC, and it represented an attempt to create an organic business party.

As Carlos Franco aptly put it back then: “[...] the new trait of the current situation is that they [the EPGs] aspire to directly co-participate in the possession of political and state functions. To achieve this, it was not only necessary to wield an economic power comparable to that of the state or to have blocked the state’s capacity to affect them... Never before has money in Peru played such a direct and decisive role, never have the so-called “business values”... pervaded to this extent both the ideological debate and social relations” (quoted in Anaya 1990: 21-22).

I cannot stop now on this complex and vast issue. However, it is worthwhile highlighting that a closer relationship developed between the emerging economic power of large EPGs guided by industrial-financial interests and their search for political and ideological consolidation.¹⁷ From this moment on, a new generation of journalists and pundits who were aligned with the free-market ideology entered mass media. However, despite the determination of a hegemonic calling and the development of some initiatives, this was not enough to reach true hegemony since they still lacked the strength to revert the correlation of forces to form or win governments.

Two results were possible: to exercise *direct dominance* through the candidate Vargas Llosa, that is, through organic business parties; or to exercise *indirect dominance* through accommodation with elected or authoritarian populist leaders, whom they courted and surrounded by transforming them into their—using Franco’s terminology—“intermediaries” or “butlers”. This capacity was limited but effective, since the strengthening of corporate power, the private sector in Peru and the world market would facilitate the “state capture”¹⁸, corresponding to high degrees of wealth concentration (Omelyanshuk, 2001).

6. Phase 4. Reconcentration (from 1990 onwards)

The 1990 elections were decisive in defining the economic and political path of the EPGs. Although Vargas Llosa was defeated, the EPGs were lucky enough that an outsider, Alberto Fujimori, with little political experience, but a great capacity to accommodate, established a close relationship with large companies, national and foreign EPGs, and the IMF. The latter dictated the terms of the “structural reforms”. These reforms were introduced through a President who took advantage of the crisis of traditional parties and presented himself as a spokesperson for the poor with vague ideas, but willing to generate “order and progress” in alliance with international financial organisations, business associations (who had managed to gather around the Peruvian Business Association – Confiep in 1986), and the EPGs. Thus, as the EPGs and the private sector grew stronger, reaching new levels of wealth concentration, the conditions necessary for the “state capture” consolidated since this process requires a high concentration of private economic power.

The process developed as follows. After taking office and “changing the rules of the game”, Fujimori imposed through executive orders a type of economic policy and an orientation that were in line with the liberal, pro-business ideology of the Washington Consensus and the demands of the Peruvian EPGs and the exports-imports sectors (Castillo, 1996). In 1990 the free-market model was abruptly adopted, first under the guise of emergency measures recommended by the IMF, later through a series of laws promulgated after the coup against Congress in 1992, and finally with the approval of the free market orientated and privatizing Constitution of 1993, which replaced the one of 1979 (Boloña 1993). This set of measures were complemented with policies against trade unions, promoting precarious jobs and counter-terrorist strategies. They contributed to debilitate trade unions and left-wing organisations to the extent that this historical rival was deeply weakened.

These factors helped overcome the crisis in 1992 and triggered an economic recovery that also produced the conditions for an accelerated reconcentration of economic power in the private sector. The concentration of private economic power quickly reached levels never seen before due to the following measures: the auction of state companies to the highest bidder (foreign investors were the main buyers); the privatisation of retirement funds, docks and airports (for the first time in private hands, mostly

¹⁷ EPGs started to determine their hegemonic aspiration with the aim of overcoming their condition as those “second in line”.

¹⁸ This political phenomenon corresponds to a high degree of wealth concentration in private hands, a process which was taking place in the country. On this matter, see Omelyanshuk (2001).

foreign); sale of land, concessions for mining, gas and timber investments; and, generally, tax policies “tailor-made” to fit large investors (legal stability contracts; the Merger Law, which favoured the EPGs, for they could merge their several companies or with each other)¹⁹.

The data regarding type of property as percentage of the GDP shows that state companies went from 21% in 1975 to only 6% in 2000. The cooperative sector disappeared entirely by the beginning of the new century (0%). Meanwhile, the private sector grew stronger than ever, led by foreign capital, which grew considerably from 11% in 1975 to 28% in 2000. National capital experienced little percentual variation, going from 27% in 1975 to 28% in 2000 (see Table 3).

This result can be interpreted as a turn back in time since the structure of economic power became once again similar to the one that existed before 1968. However, the twenty-first century structure differed from the old one in that the economy was now controlled by modern national and foreign business institutions with an urban-industrial base and in a context in which private property was extending throughout the whole country, thanks to a concessions fever in which wage-jobs with low levels of formality and capital oriented consume predominated.²⁰

In 1992, with the sale of state companies (Diez Canseco 2002), a wave of foreign private investment began which was complemented by the investments of those national EPGs that were able to overcome the crisis and the foreign competition (Vásquez 2000). This wave of investments and mergers ceased temporarily due to the international financial crisis of 1998. Industrial groups such as Bentín and Lanata Piaggio were absorbed by others, while banking groups such as Wiese and Picasso were considerably weakened. At the beginning of the twenty-first century, a new investment wave began. It was even bigger than the previous one and implied the arrival of capitals from multiple countries (first of all Spain and Chile, followed by China and Brazil). At the same time, an exporting boom of raw materials began that would last for a long time.

In this context, the presence of EPGs spread like wildfire throughout the country. Towards 2012, the state gave 23 million hectares as a concession to mining companies. This extension of land represented 17% of the national surface, and it was mainly concentrated in the highland and, to a lesser extent, in the rainforest. Foreign capital was the predominant force in these concessions.²¹ Oiling concessions amounted to a surface of 658 000 km², mainly in the rainforest and also to a large extent in foreign hands. Concerning timber activities, seven million hectares of the Amazon rainforest were given in concession. In this sector there was a larger participation of national capital.²² These concessions overlap with or are located besides the remains of peasant (highland) and indigenous (rainforest) communities, accelerating their disappearance as an ancient form of property and social life. Informal and illegal extractive companies (gold and silver mining, timber) also emerged. They are directed by Peruvian actors that extended the dominance of the private sector, exemplifying a type of modern pirate capitalism. The growth of cocaine production from 2000 onwards and a free market system with a weak state that facilitated illegal copies and forgeries of products fostered the emergence of a lumpen bourgeoisie who has concentrated itself in “mafias”.

In such a context, so favourable to the private accumulation of capital (whether formal, informal, or criminal), several new national EPGs emerged in sectors of popular consumption goods, such as the Añaños, Flores and Belmont groups. Additionally, EPGs with an unknown first source of capital accumulation positioned themselves in niches such as coffee (Huancaruna), private education (Acuña), and sugar (Oviedo) (De Althaus 2007). Under this dynamic, the formal and stronger EPGs that were better connected with the financial system started to buy smaller or weaker groups; as a result, the process of concentration advanced dramatically.

¹⁹ I have analysed the origin and effects of the Merger Law in a book (Durand, 2003).

²⁰ Fujimori’s increasing concentration of power in the Executive Branch contributed to consolidate these tendencies, generating a type of direct relationship between large EPGs and future foreign investors and a “captured” state. Within the framework of this collusive and privileged relationship, the state offered the EPGs and large companies assurance at discretion in the form of legal stability contracts. Later, after the fall of Fujimori in 2000, democratically elected governments headed by populist presidents, who were bound to the new economic interests, continued the “state capture”. Under these conditions, this investment model consolidated, being finally enshrined in the Free Trade Treaties. On Fujimori, see Castillo (1996) and Dammert (2001); on the democratic period from 2000 onwards, see Durand (2010). Interestingly enough, shopping malls have become the cathedrals of consumption, going from being just 4 in 1990 to 59 in 2013.

²¹ This information has been gathered from an internal document of the consulting firm Proesmin (2013: 3) based on the mining land registry.

²² On oiling concessions, see *El Comercio* (2012); on timber, see the brochure of Aidesep et al. (2011).

The most notorious case was the one involving the Romero Group (Alicorp), who acquired the groups La Fabril, Copsa and Nicolini, all considered giants, generating a supergroup in the food industry.²³ The Brescia Group bought the fishing group Galsky, becoming the main fishing producer (fleet, canned fish, frozen fish). The Bentín Group (Backus) bought all the brewing companies from the Lanata Piaggio Group (Pilsen) and other processing plants. Later, it was acquired by the Colombian group Santo Domingo (Bavaria) and finally sold to a South African transnational. The Wong Group sold their chain of supermarkets to the Chilean group Cencosud. In this period, a conglomeration of mass media groups also took place. The journalistic group El Comercio acquired the majority of shares of Channel 4, bought the newspaper *Gestión* and the national chain of newspapers *Correo* and *Ojo*. In this period, the association between national and foreign capital became more complicated and several national EPGs (such as Añaños, Gloria, Belmont, Alicorp, Brescia, Graña y Montero, amongst the most notorious)²⁴ experienced a process of “globalisation” (that is, they opened plants abroad).

By the beginning of the twenty-first century, the outlines of the new structure of economic power were more clearly defined thanks to the journalistic interest in economy and business and to the publication of national and international journals specialised in rankings. Data concerning the 40 strongest EPGs in 2004 showed a considerable increase in the concentration of economic power amongst “leading companies”.

The list of the largest EPGs was made based on the total income of the main companies of each group, who are, in turn, those that head or dominate their respective economic sectors. Of the 30 largest EPGs listed on Table 5, a total of 24 were of national origin (albeit with a growing participation of foreign shareholders and pension funds, which are in turn dominated by foreign capital)²⁵, 13 of foreign origin, and 3 formed joint ventures with the participation of national and foreign EPGs. This leading group of 40 EPGs controlled also as major partners a total of 433 companies, most of them large. Additionally, these 40 EPGs participated as shareholders in another 45 companies.

The 40 large EPGs dominated the following sectors: telecommunications (Telefónica and TIM), banking (Credicorp, Continental, Interbank, Intesa), mining (Southern, Buenaventura, Glencore, Hochschild, Brescia), beer and beverages (Backus, Lindley), foods and oils (Alicorp), poultry (Ikeda), dairy (Gloria), cement (Rizo Patrón, Gloria), construction (Graña y Montero, Cosapi, Wiese), shopping centres and malls (Ripley, Falabella, Wong, Interbank), heavy machinery (Ferreyros), hotels, real estate and fishing (Brescia), insurances (Romero and Brescia), gas (Repsol), steel (Cilloniz), energy (Entesa), consumer goods (Procter & Gamble), cosmetics (Ebel, grupo Belmont) and pension funds (Credicorp, Intesa, Banco Continental).

Table 5 – Main 30 National and Foreign EPGs in 2004 (total income in thousands of US dollars)

EPG (economic sector)	Country	No. of directly controlled companies
Repsol (gas)	Spain	7
Telefónica (telecommunications)	Spain	24
Credicorp (finances)	Peru	31
Romero (foods)	Peru	27
Southern (mining)	Mexico	2
Buenaventura (mining)	Peru	13

²³ In 2011, Alicorp represented 95% of the mayonnaise market, 80% of the washing soap market, 73% of the maize pudding (mazamorra) market, 56% of the soft drink powder market, 55% of the domestic use oil market, 52% of the detergent market, 45% of the noodles market, 43% of the ketchup market, 38% of the dog food market, 32% of the cookies market and 28% of the gelatine market (Alicorp 2013).

²⁴ This tendency can be observed in Latin America since the late nineties. See Chudnowsky *et al.* (1999).

²⁵ It is worth noticing that Private Pension Funds Administrators (AFP) are the main investors in the Lima Stock Exchange. Their percentage of shares increases every year and belongs predominantly to foreign capital.

Wong (supermarkets)	Peru	15
Brescia (urban-industrial)	Peru	25
Backus (brewing)	Colombia	21
Endesa (electricity)	Spain	9
Banco Continental (finances)	Spain/Peru	7
Glencore (mining)	Switzerland	4
Falabella (retail)	Chile	11
Gloria (dairy)	Peru	22
Hochschild (mining)	Peru	18
Intesa (finances)	Italy	12
Ripley (retail)	Chile	6
Rizo Patrón (cement)	Peru	13
Ikeda (poultry)	Peru	7
G y M (construction)	Peru	27
Ferreyros (commerce)	Peru	10
Wiesse (several activities)	Peru	23
Lindley (soft drinks)	Peru/USA	10
Interbank (finances)	Peru/USA	23
Cilloniz (steel)	Peru	3
Fierro (commerce, industry)	Spain	18
Ebel (cosmetics)	Peru	6
Procter & Gamble (soaps)	USA	1
TIM (telecommunications)	Italy	2
COSAPI (construction)	Peru	9

Source: Peru: The Top 10,000 Companies. Lima: Peru, Top Publications 2005: 794. Table made by the author.

Regarding sectorial tendencies, the recent years of economic prosperity evidenced a return to an economy centred on the export of raw materials that generates a small number of jobs. In 2002 total exports reached 7 714 million US dollars. 70% of exports were raw materials (especially minerals), and 30% non-traditional export goods (craftwork and manufactured goods). In 2012, still during the raw materials boom, the value of exports reached 45 639 million US dollars, with 75% of traditional products and 25% of non-traditional (*La República* 2013).

The above-mentioned tendencies were clearly visible in the case of agricultural activities where a quick return to large estate ownership took place. The concentration of productive land increased, but without

it including uncultivated land as in the old large estates. In 2013, according to Table 6, a total of 10 EPGs (actually, agro-industrial branches of groups) concentrated a total of 209 239 cultivated hectares of the best soil in the country (coast and rainforest). The land which private investors acquired and agglomerated into EPGs can be classified into “old” (former *haciendas*) and “new” (product of coastal irrigation projects or Amazonian concessions). This reflects the state’s policy of privatisation, which accelerated and consolidated the economic preponderance of EPGs.

The most impressive case of new large estates were the agroindustries of the Gloria group led by the Rodríguez family of Arequipa. The Gloria group concentrated 64 445 cultivated hectares bought from sugar cooperatives or from the investors that accumulated shares when the privatisation began in 1990. Their main acquisition was Casa Grande. Before 1968, Casa Grande was considered the largest and most powerful *hacienda* in Peru. It had 32 000 hectares of cultivated land. Besides Casa Grande, the Gloria group acquired three *haciendas* more: Cartavio (previously owned by the Grace Corporation, also an important *hacienda*), Sintuco (like Cartavio in La Libertad), and San Jacinto (in the Santa Valley). Due to the accumulation of four former *haciendas* in a single group, the Gloria group is the most extreme example of the transformation experienced by the agrarian sector. The EPGs went from having no presence at all in 1975 to a huge degree of cultivated land concentration in 2000, even greater than the one achieved during oligarchic times.

Table 6 – Land Concentration by EPGs in 2000 (cultivated hectares)

Group/Company	Hectares	Product	Location	Total hectares
1. Rodríguez/Gloria Group				
Casa Grande	40 833	sugar	Trujillo	
San Jacinto	12 337	sugar	Santa	
Cartavio	11 000	sugar	Trujillo	
Sintuco	1 158	sugar	Trujillo	
Total by group				64 445
2. Romero Group				
Caña Brava	7 000	sugar	Piura	
Palmas del Espino	12 550	palm	Tocache, San Martín	
Palmas del Shanusi	7 000	palm	Barranquita, San Martín	
Palmas del Oriente	3 000	palm, cacao	Lamas, San Martín	
Huando	400	fruits	Huaral	
Total by group				34 950
3. Camposol/Dyer Group and Norwegian Group				
Camposol Holding	9 719	asparagus	Chavimochic	
Camposol Holding	3 000	mango, vines	Piura	
Camposol Holding	?	fruits,	Chao	

vegetables			
Total by group			31 621
4. Oviedo Group			
Pomalca	10 000	sugar	Trujillo
Tumán	11 800	sugar	Trujillo
Total by group			21 800
5. Wong Group			
Paramonga	10 000	sugar	Barranca
Andahuasi	7 200	sugar	Tambo, Arequipa
Total by group			17 200
6. Manuelita Group (Colombia)			
Manuelita	3 789	sugar	Chavimochic
Laredo	9 100	sugar	Virú
Total by group			12 889
7. Bustamante Group			
Andahuasi	7 200	sugar	Huaura
Agrícola Mochica	400	mango, lime	Lambayeque
Total by group			7 600
8. Huancaruna Group			
Pucalá	6 500	sugar	Trujillo
Tinajones	1 200	sugar	Tinajones
Total by group			7 700
9. Maple Group (USA)			
Maple	13 500	sugar	Piura
Total by group			13 500
10. Chlimper Group			
Agrokasa	4 435	asparagus	Ica
Total by group			4 435
General total			209 239

Sources: *La Revista Agraria* (June 2009), *América Economía Perú* (Sept. 23rd, 2009), interviews with managers, journalistic sources and websites consulted in 2011 and 2013. Table made by the author.

To sum up, considering the economy as a whole, we observe in this phase the existence of a structure of economic power with a clear predominance of national and foreign EPGs, where the latter tend to lead in growth rate. There is a sectorial structure centred on exports of raw materials (minerals), with a growing dominance of private property.²⁶ This is a sign of greater “determination” of the capitalist mode of production, which begins to spread like an oil spill over every type, level and space of economic activity. To this one might add the increase in the consumption of goods that the EPGs produce, import, and distribute through their shopping malls chains all over the country. However, they do not generate many jobs, since they invest intensively in capital.

Politically, after the fall of the Fujimori Administration (July 1990-November 2000) it is possible to observe that the national and foreign EPGs were able to accommodate to the power-holders (to Fujimori, once he became a dictator, and after to the democratically elected Alejandro Toledo, Alan García, and Ollanta Humala) and to gain high levels of influence, which allowed them to maintain the free market economic policy and to obstruct any change in a different direction. After having achieved an extreme concentration of wealth, EPGs have learned to exercise a form of indirect political power and how to organise the “state capture” through financing of political campaigns and lobbies (López 2012). This way, they have adapted to the changing circumstances after the fall of Fujimori, developing closer links with Congress, mass media, and civil society. However, they have not been able to form their own political party. Their last attempt was in 2011, when they financed the businessman and financier Pedro Pablo Kuczynski, who did not win the presidential election. Ideologically they have fostered millionaire and varied initiatives to promote “entrepreneurship” and to show that “everyone can produce wealth and triumph” (Córdova 2010). Meanwhile, large companies and EPGs started developing programmes of “social and environmental business responsibility” (Caravedo 1998), aimed at legitimising them as drivers of “sustainable development”.

It is convenient to make some remarks concerning the non-economic dimensions of their power. This “new oligarchy”, if it should be called so (it is actually a corporatocracy or a corporate elite, a term which is used internationally), lacks the level of social cohesion of the old oligarchy and even that of the EPGs during the Velasco Administration. This is because of the diversity of origin (they come from Lima and the provinces, middle and popular class, and have different legal conditions) and because of the larger number of EPGs and multinationals that participate in the Peruvian economy. The economic power elites of the twenty-first century have different cultural bases and are not socially integrated. This lack of cohesion, however, is balanced out by the fact that all EPGs rely on the same entities: law firms, tax firms, advisory firms, who offer them strategic cohesion to the extent that they share the same sources of political advice and operation. From the inside, however, a more reduced core of larger EPGs, with a longer trajectory and strongly articulated with foreign capital (led by the Romero, Brescia and Benavides groups), have achieved a position of leadership.

7. Final Reflections

Tracing the EPGs between 1960 and 2010, and observing their actions in the context of their operations as economic and political actors, I would like to offer seven conclusions:

1) In the Republic of Peru (except between 1968 and 1975), economic power has always been highly concentrated in an elite of economic power formed by a few but powerful Peruvian families and a handful of large foreign companies. The country, thus, is characterised by extreme wealth. Therefore, the political debate has always focused on the so-called oligarchies, the owners of Peru or the elites of corporate power, with varying intensity in different phases.

2) In the sixties, with the development of new sources of wealth in mining, fishing and urban-industrial activities, modern business forms of concentration around national and foreign EPGs emerged. They overshadowed economically, though not politically, the old oligarchy who owned agricultural export *haciendas* in the coast. This was so until the military revolution of 1968, which effectively attacked all

²⁶ It ought to be remarked that small companies have tended to experience a moderate proliferation, going from representing 33% of the GDP in 1975 to 38% in 2000 (Table 3). This is a sign of greater “determination” of the capitalist mode of production, which begins to spread like an oil spill over every type, level, and space of economic activity, destroying traditional forms of consumption and production.

their sources of power, being as it was inspired by the old debates on the concentration of land and economic power.

3) At the beginning of the twenty first century, following strong modifications of the economic cycle and changes in the economic policy (deconcentration, deprivatisation, and economic nationalisation in the Velasco Administration; followed, amid an important crisis, by a tendency towards reconcentration that escalated from 1990 onwards), the conditions arose for private property and EPGs to regain control over the economy. This way they reached a historical level of power, even greater than that of the old oligarchy. In this period several strongly diversified EPGs emerged with greater presence in the national urban space (shopping malls) and in the rural areas (extractive-exporting enclaves) intensive in capital. The modern EPGs have a great internal heterogeneity due to their diverse origins (Lima and provinces) and to their different forms of legal operation (formal, informal and criminal). In the case of formal EPGs, the most important ones and those on which I have focused, there is a certain level of coordination or operative coincidence since they rely on the same forms of advice. Thus, high level advisers and consultants have become a sort of operative brain that coordinates extreme wealth.

4) Since the emergence of the EPGs in 1960 (a modern form of concentration of economic power), the dominant position in the economy (except for the velasquist parenthesis) gravitates around foreign capital. This is an expression of the historical weakness of national capital (whether oligarchic or bourgeois, formal or informal), of their lack of vision for the country, and of their weak capacity to form national consensus. This phenomenon can be more clearly observed after 1990. In this period, even though powerful urban-financial groups had formed in the previous decades, EPGs decided to support a change in policies that allowed the uncontrolled arrival of foreign capital. In no time, national EPGs fell behind to a subordinated economic position, though they stayed on as major political mediators. This process slowly continued with some nuances (due to emerging EPGs). It is possible to observe a strong causal correlation between pro free market economic policy, high levels of concentration of economic private power, and foreignisation.

5) This study also shows that there is a complex causal relation between a high concentration of economic power and high levels of political access and influence of EPGs. This causation is not automatic. It is mediated by the correlation of forces of the political system (whether democratic or dictatorial), the political capacities of the owners of large capital (to lobby, to form associations and political parties, and to decide the direction the state should follow), and their possibility to create formal jobs and generate wide consensus. In the deconcentration phase (1968-1975) and the following reconcentration phase (from 1990 onwards), these significant alterations of the structure of property took place in moments of political crisis worsened by economic recession. All of this created a climate that contributed to the “state capture” aimed at changing the economic policy of the country, modifying the structure of property, and facilitating levels of wealth concentration in favour of large private EPGs.

6) The political action of EPGs is visible since the sixties as they entered this arena by supporting Belaunde and by spreading the idea of business modernity. Then, they participated in the fall of the Velasco Administration and supported the privatizing and repressive actions of Morales Bermúdez. This ideological-political action continued with even greater force, managing to halt the statist project of 1987, and supporting pro free market governments from 1990 onwards. However, despite the efforts by Vargas Llosa in 1990 and Kuczynski in 2011 to form a political party of their own, the new urban-financial owner class led by large EPGs has not been able to directly dominate the political power. Therefore, they have been forced to practice the politics of accommodation with governments elected by popular vote. This is their main trait as political actors. The achievements of the EPGs regarding their access to and influence on the state — a privileged position that facilitates the concentration of economic power — has not implied a correspondingly high political development.

7) On the ideas front, even though modern EPGs have always developed a discourse of business modernity and from 1990 onwards have spoken additionally of “business responsibility” and of supporting “entrepreneurship”, these ideas are only used to validate free market, private property, profit, and the size of the EPGs. Although this power elite has wielded great influence on mass media, and despite the massive growth of consumption and credit, its influence is only relative and does not reflect

its efforts.²⁷ However, there is a growing citizen discomfort concerning the way they operate and their “state capture”. In addition, consumers reject the abuses derived from the dominant position EPGs have in the market. Finally, it remains to be seen if, in an economic context of lesser growth or crisis, this extreme wealth takes a step back politically and ideologically due to the reduction of consumption financed by debt, and to their consequently reduced contribution to the creation of formal jobs.

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²⁷ The discourse of the EPGs is transmitted to society through the social responsibility programmes of their companies, especially emphasising educational activities that promote the “transmission of business values”. They do this in collaboration with the conglomerated mass media that popularises the theory of entrepreneurs.

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