Presidential Leadership, the Presidency, and Policymaking in Perú During Alan García’s Non-consecutive Governments.

J. Salvador Peralta, Ph.D.
Associate Professor
University of West Georgia
jperalta@westga.edu

Abstract:
In this chapter we explore the impact of the presidency on policymaking in Perú during Alan García’s two non-consecutive administrations. After becoming president in 1985 Alan García promised a new direction for Perú. However, by 1987 he had initiated a series of economic reforms that produced arguably the worst economic crisis in modern Peruvian history. Despite such results, García returned for a second term in 2006. This turn of events allows us to explore important questions about the impact of political leaders and institutions on policymaking. In particular, we explore the following central questions: (1) what is the presidency? (2) How and why do individuals and organizations learn? (3) How does the organization of the presidency affect executive policymaking? (4) How does the organization of the presidency help to explain policy outcomes? We find that García’s leadership style did not change from one administration to the other – but the presidency changed significantly after García ended his first term. The presidency changed as a result of a series of institutional reforms aimed at modernizing the Peruvian state, both of which had a significant impact on the organization of the executive branch in general and the presidency in particular. We also find that Garcia’s leadership style mattered for policymaking, but the organization surrounding him was equally, if not more, important in determining the effectiveness of policymaking in Perú. These findings, therefore, suggest that while chief executives remain the preeminent policymakers in Latin America, but the presidency can have a significant impact as well, particularly in countries with chief executives with strong formal powers.
The 1980s and 1990s were very difficult for Latin Americans. During these years most countries in the region were emerging from decades of dictatorship, war, and severe economic crisis – Perú was not an exception. In 1980 Peruvians began a slow process of transition to democracy while confronting high unemployment, hyperinflation, and civil war. These were the basic conditions facing Alan García when he assumed office in July 1985. Understandably, García promised to solve his country’s problems, and once in office promptly decreed policies that had some initial success. However, by the end of his term the economy was experiencing the worst recession in modern Peruvian history, the conflict between government forces and guerrilla groups¹ had intensified, and García’s popularity had plummeted to record lows. As a result, his first term in office is considered the worst presidential administration in modern Peruvian history (Crabtree 1992; Lago 1991; Reyna 2000).²

Despite such a dismal performance during his first administration, in 2006 García was elected to serve a second presidential term.³ Fortunately, by the time he took office he faced a much more favorable social, political, and economic context: the civil war had ended, and the economy had improved significantly, with unemployment and inflation at their lowest levels in decades. Understandably, García promised to continue the political and economic policies that had brought stability to his country; and unlike the first time, his second administration is considered relatively more successful. It would be tempting to explain García’s improved performance as a function of the markedly favorable conditions he encountered at the beginning of his second term, but was it the favorable context; García’s own leadership style; or the presidency – as an organization – the key to such drastically different results? In other words, the different outcomes

---

¹ Shining Path began operating in 1980, and the Revolutionary Movement Tupac Amaru (MRTA) began operating in 1984. So, while at the beginning of his first term there was only one, by the end of this term there were two guerrilla groups operating in the country.
² This evaluation takes into consideration the significant shortcomings of Alberto Fujimori’s administrations, particularly the suspension of the Constitution and shutdown of Congress during his first administration; and the corruption scandals involving Fujimori, members of his cabinet, and many other government officials during his second administration.
³ García could not seek a second term in 1990 because the 1979 Constitution banned presidential reelection. However, even if he had been able to run, it is very unlikely that García would have been able to win a second term under such dismal social, political, and economic conditions. The current (1993) constitution allows presidential reelection.
we observed at the end of García’s terms beg the question: why was García able to develop effective policies in one term but not another?

García’s return to office, therefore, offers an opportunity to explore these puzzles and to seek answers to a number of questions that have received little attention in the growing literature about Latin America’s presidential systems. Among the most important questions to be addressed in this chapter are: (1) what is the presidency? (2) How and why do individuals and organizations learn? (3) How does the organization of the presidency affect executive policymaking? (4) How does the organization of the presidency help to explain policy effectiveness? These are important questions because we know that institutions matter for policymaking and policy outcomes, but we do not know how much and to what extent the presidency in particular matters in Latin America’s presidential systems (Bonvecchi and Scartascini 2011).

In this chapter we borrow insights from the U.S. presidential literature, and rely on primary and secondary sources to explore the impact of the presidency on policymaking and policy effectiveness in Perú during García’s two non-consecutive administrations. We find that while García’s leadership style did not change from one administration to the other, the presidency changed significantly as a result of a series of institutional reforms aimed at modernization the Peruvian state, both of which have had a significant impact on the organization of the executive branch in general and the presidency in particular. We also find that García’s leadership style mattered for policymaking, but the organization surrounding him was equally, if not more, important in determining the effectiveness and success of policymaking in Perú. These findings, therefore, suggest that a chief executive’s leadership style matters, but the presidency matters even more for the development of effective policies. Particularly in countries where chief executives possess strong constitutional powers, the existence of well-organized presidential centers dedicated to support the president might translate into effective policymaking.

---

4 That is not to say that the executive branch has been neglected. In fact, there is a large literature exploring what many scholars consider the preeminent branch of government in Latin America. However, there is a clear gap in the literature because the presidency as an organization has not been explicitly conceptualized and systematically studied in Latin America. For a thorough overview of the significant gaps in our knowledge on the presidency and the executive branch in Latin America see Bonvecchi and Scartascini (2011).
This essay will proceed as follows: first, we make a distinction between the president and the presidency, and argue that conceptualizing the presidency in organizational terms will help us explain presidential policymaking and policy effectiveness in Perú. Second, we develop a theoretical framework that uses the concepts of bargaining uncertainty and organizational learning to guide the analysis of our two cases. We then use this framework to explain how a reorganized presidency in the second García administration was instrumental in preventing him from repeating the most egregious mistakes of his first administration. In particular, this section will focus on describing and analyzing the role of the Presidencia del Consejo de Ministros (PCM) to illustrate how the gradual institutionalization of this key actor in the presidency has enhanced the president’s ability to carry out his agenda, and enhanced the PCM’s ability to address fundamentally important political issues such as a the large number of social conflicts the country has faced since returning to democracy. Finally, we discuss some implications of our work for the study of presidential politics in Latin America and suggest that this approach is long overdue.

The President and the Presidency

What do we know about presidentialism and the presidency? The return of democracy throughout Latin America has allowed scholars the opportunity to investigate important questions about this region’s presidential systems. However, thus far, no study that we are aware of has been focused on the presidency itself, either in Latin America in general or in Perú in particular. For example, while some scholars have explored the relationship between presidentialism and regime survival or presidentialism and democratic performance; others have explored the relationship between presidential powers and executive legislative success; as well as the impact of presidentialism on executive-legislative relations (Alemán and Calvo 2010; Alemán and Navia 200; Alemán and Schwartz 2006; Alemán and Tsebelis 2005; Calvo 2007; Cheibub and Limongi 2002; Jones 1995; Linz and Valenzuela 1994; Mainwaring 1993; Mainwaring and Shugart 1997; Morgenstern and Nacif 2002; Negretto 2006; Pereira, Power, and Rennó 2005; Siavelis 2000; Tsebelis and Alemán 2005).

In the Peruvian context, a number of scholars have described and attempted to explain the evolution of the Peruvian executive branch without explicitly conceptualizing the presidency. For example, Guerra-García (2007) describes the process of modernization of the Peruvian
government as a whole, and briefly discusses the impact of constitutional reforms on the executive branch. García Belaúnde (2008) describes the main features of the Peruvian executive branch and the evolution of executive powers vis-à-vis other branches but also ignores the presidency. Awapara Franco (2010) describes and explains the development of the Presidency of the Council of Ministers (PCM), and conceptualizes it as a latent institution that has not been able to realize its political potential despite its central role in the executive branch. More importantly, however, Awapara Franco’s analysis focuses on analyzing the PCM itself without conceptualizing it as part of the presidency. Nonetheless, we draw important insights from Awapara Franco’s work, particular its emphasis on the importance of informal factors on the development of institutions. Finally, Sosa Villagarcia (2014) provides a thorough description of the level of professionalization and stability of Peruvian cabinet ministers from 1990-2014, but it also falls short for our purposes because it does not conceptualize the ministries it analyzes in terms of the presidency. So, either at the regional level or in the particular case of Perú, scholars of Latin America’s presidential systems do not make a distinction between the president and the presidency.

What is the presidency? As opposed to the individual who is elected president, the presidency refers to the organization that informs, supports, and advises the chief executive, and which is generally in charge of formulating, communicating, and promoting the president’s policy priorities (Feldman 1993). The presidency, however, does not include the entire executive branch bureaucracy, which encompasses a broader range of units under the constitutional authority of the chief executive, including ministries, departments, agencies, offices, bureaus, etc., most of which are generally in charge of implementing policies.\footnote{According to Article 2, Law 29158, Ley Órganica del Poder Ejecutivo, the executive branch is composed of: (1) the Presidency of the Republic, (2) the Council of Ministers, (3) the Presidency of the Council of Ministers, (4) the Ministries (e.g. Foreign Relations; Defense; Economy and Finance; Interior; Justice; Education; Agriculture; Labor and Job Promotion; Production; External Commerce and Tourism; Energy and Mines; Transport and Communications; Housing, Construction, and Sanitation; Women and Vulnerable Communities; Environment; Culture; Development and Social Inclusion; and Health), and (5) Public Entities of the Executive Branch.} Thus it is important to make a distinction between the president (the individual), the presidency (the organization), and the institution (the executive branch). The concept of the presidency has gained significant attention among presidential scholars in the U.S., where the growth in staff and organizational units informing,
supporting, and advising the president are said to be institutionalized (Burke 1995; Ragsdale and Theiss 1999). However, scholars of presidential systems in Latin America have tended to focus their attention on the president or the executive branch, while neglecting (or taking for granted) the presidency as an organization. This neglect is unfortunate because the conceptual and practical distinction between the president and the presidency is important for a number of reasons.

First, distinguishing between the president and the presidency allows scholars to observe how individuals and organizations respond to evolving situations; how individuals and organizations learn; and whether over time personal or organizational learning leads to the creation of norms, rules, procedures, specialized units, agencies, or departments to deal with recurring problems. For example, the high number of social conflicts that have taken place in Perú before and after the return to democracy have had a distracting effect on the president’s ability to implement his agenda. Moreover, the low level of institutionalization of the presidency has led presidents to rely on close advisors to develop some of the most important policies facing them, and thus severely affecting the effectiveness of the policies developed, as well as their implementation. As more and more conflicts erupted over the years, the ability of the president to address these conflicts effectively, while simultaneously carrying out his agenda, became limited. As a result, the need to develop specialized units within the presidency to deal with such conflicts has led to the growth of the Presidencia del Consejo de Ministros, which has been formally delegated the power to mediate conflicts on the president’s behalf, as well as communicate and promote the president’s policy priorities. ⁶ Therefore, by observing the individual and the organization around the individual we can arrive at a more nuanced understanding of how and why presidents and organizations learn, and how and why the presidency affects policymaking and policy effectiveness in presidential democracies in general, and Perú in particular.

Second, the assertion that presidents are the preeminent players in Latin American politics has become a truism (Mainwaring and Shugart 1997; Morgenstern and Nacif 2002; Negretto 2006; Pereira, Power, and Rennó 2005; Siavelis 2000). By virtue of the significant formal and informal powers Latin American chief executives possess and wield, it is implicitly assumed that their powers easily transform into coherent and effective policies. However, this is not always so: while most Latin American presidents possess strong powers, they are notorious for their policy failures

⁶ Decreto Supremo Nº 063-2007-PCM.
and ineffective policymaking. García’s first administration offers a clear example of the limitations of presidential power on policy effectiveness, and helps to illustrate the paradox of presidential power and policy ineffectiveness in Latin America. Therefore, rather than assume that powerful presidents will inevitably produce effective policies, we need to investigate exactly how and to what extent they do. Of course, we begin this task with one case study from which we will generalize about Latin America.

Finally, notwithstanding their strong powers, presidents cannot govern alone – they need help. In the particular case of Perú, where presidents possess the power to issue executive decrees with the force of law, such power grants them significant strategic advantages (i.e. agenda setting powers) over the legislature. In these cases, scholars need to focus on studying policy effectiveness rather than policy success as traditionally understood in the U.S. presidential literature. In other words, presidents who possess strong powers are more likely to successfully implement their agenda, but the ability to control the agenda is not a sufficient condition for policy effectiveness. For example, as we will see below, during his first term García was very successful at implementing rather sweeping economic reforms. However, it did not take long for the reforms to reveal themselves as colossally ineffective policy solutions to severe economic and social problems. In sum, learning more about the role of the presidency in helping the president develop effective policies would take us a step closer toward a more comprehensive understanding of the impact of the presidency on the president’s decision-making and policy effectiveness in Perú and possibly Latin America.

**Individual and Organizational Learning**

Learning involves change, and it can be defined as “a process in which individuals apply new information and ideas to policy decisions” (Busenberg 2001, 173). At the individual level, learning occurs when an individual changes existing knowledge, preferences, and behavior in response to new information. At the organizational level, learning occurs after organizational weaknesses are recognized, steps are taken to correct them, and new rules, structures, procedures, customs, etc., are formally incorporated as part of the organization’s standard operating procedures (Busenberg 2001; Light 1999; Ponder 1999). But what and why do presidents and the presidency need to learn to produce effective policies?
Presidents and the presidency learn in response to the informational and bargaining needs necessary to maintain power (Neustadt 1990). In the now classic study of U.S. presidential power, Neustadt (1990) identified some sources of presidential power and how presidents wield it, and asserted three central claims: (1) “Presidential power is the power to persuade” (Neustadt 1990, 11). (2) “The power to persuade is the power to bargain” (Neustadt 1990, 32). (3) And to bargain effectively, a president’s “first essential need is information” (Neustadt 1990, 128-29). Based on these claims, two concepts are central to an understanding of why learning occurs at the individual and organizational level: bargaining uncertainty and imperfect information.

At the individual level, presidents must identify problems; gather, analyze, and evaluate relevant information to solve them; and develop coherent and effective policy solutions to the multiplicity of problems facing them on a daily and often unpredictable basis. Particularly when presidents confront recurring problems or situations that share similar characteristics to past events, their ability to learn from previous mistakes, and thus implement effective solutions, can have a significant impact on their power, success, and survival (Light 1999). However, since policymaking requires bargaining over competing policy choices; and since limited time, resources, and expertise make it impossible for any one individual to gather all the information necessary to develop and implement coherent and effective policies; it follows then that presidents must engage in policy-making under conditions of imperfect information and bargaining uncertainty.

In turn, imperfect information and bargaining uncertainty leads presidents to demand as much information as possible to increase the probability of producing effective policies. However, since information is hard to acquire, evaluate, and synthesize, experts are necessary to maximize its benefits. Therefore, the need to gather information and to minimize bargaining uncertainty leads chief executives\(^7\) to create new organizations, to enhance existing ones, and to eliminate organizational inefficiencies (Neustadt 1990; Dickinson 1997). These needs partially explain the evolution of the Presidencia del Consejo de Ministros into a bargaining agent between civil society

---

\(^7\) Often the impetus for reform does not come from presidents, but comes from external actors. For example, in the U.S. one of the most important reform efforts came from the U.S. President’s Committee on Administrative Management, which famously state that “the president needs help.” Similarly in Perú, much of the reform efforts have been guided by actors outside of the executive branch as part of larger efforts to reform all branches of government.
and the president. According to the Defensoría del Pueblo, from July 2006 to October 2008, the number of unresolved social conflicts had increased from 8 to 177; and by July 2009 the numbers of unresolved conflicts had increased again to 273. The fact that the PCM is formally charged with helping to resolve these conflicts points toward its importance as a bargaining agent standing between civil society and the president, and to its growing political relevance. By its very mandate, however, this is a very precarious position because the organization has to develop the capacity (in terms of institutional memory, expertise, personnel, etc.) to effectively manage its charge. However, as Crabtree (1992), Morel and Berrenechea (2010), Reyna (2000 and 2009), and Sosa Villagarcia (2014) point out, the PCM had high turnout during both of García’s administrations.

**Organizing the Presidency**

How does the presidency affect presidential decision-making and policy effectiveness? In the U.S. context, answers to this question have produced a voluminous literature that portrays presidential styles and organizational structures as constraints on policymaking and policy success (Barber 1972; Dickinson 1997; Greenstein 2004; Hermann 1989; Kerbel 1991; Moe 1993; Preston 2001; Walcutt and Hult 1995; and Weko 1995). Some argue that leadership style is a key component of presidential decision-making (Barber 1972; Hermann 1989; Neustadt 1990; Preston 2001). In general, presidential style is as varied as the presidents themselves, and a number of typologies have been used to describe it. For example, presidential leadership styles can be collegial or formalistic and personalized or delegatory, among others (Neustadt 1990; Preston 2001). Presidential leadership style, moreover, has an impact on a president’s policy preferences, managerial preferences, and executive branch organization (Barber 1972; Hermann 1989; Neustadt 1990; Preston 2001).

Others argue that organizations (e.g. the presidency) have a bigger impact on policymaking than the president’s leadership style (Dickinson 1997; Kerbel 1991; Moe 1993; Walcutt and Hult 1995).

---

8 In the literature, the term style can refer to: personal style, leadership style, management style, etc.; and it usually refers to preferences rooted in the individual’s personality, experiences, and proclivities. For example, President Franklyn Delano Roosevelt, who spent most of his adult life in politics but did not serve in the military, had a markedly different leadership, management, and personal style than President Eisenhower, who spent most of his adult life in the military but became a politician only after the end of his very successful military career (Preston 2001).
1995; Weko 1995). For example, a number of studies have shown the need to create organizations to provide U.S. presidents the information, advice, and support they need regardless of their leadership style. Although there are disagreements over the advantages of any one organizational structure over another, scholars stress the distinction between politicizing and centralizing the presidency (Moe 1993), and organizing the presidency along functional or policy lines (Dickinson 1997; Hess 2002; Neustadt 1990). Centralization refers to the organizational strategy to concentrate presidential authority in a core unit within the executive branch, while politicization refers to the organizational strategy of dispersing presidential authority by staffing the executive bureaucracy with loyal and trusted appointees (Moe 1993; Weko 1995).

Based on this framework, and assuming that learning occurs at the individual and organizational level, we would expect García’s style to differ markedly during each term, and that the presidency would exhibit significant organizational differences as well. More specifically, we would expect García to have learned that a secretive, impulsive, and hands on leadership style is detrimental to policymaking and policy effectiveness. Therefore, we would expect him to delegate authority and to seek advice from a broader pool of advisors before implementing important policy decisions. Moreover, we would expect the presidency during the second García administration to be organized to serve its informational and advisory role more efficiently. More specifically, we would expect it to be organized along functional lines, rather than along policy lines because this type of arrangement would better serve a secretive and impulsive president more effectively, and would lower the probability that important policy decisions would be developed without adequate input from the presidency and other important actors outside of the president’s inner circle.

**García’s First Administration, 1985-1990**

Immediately upon taking office on 28 July 1985, García introduced a series of “heterodox” economic policies designed to stabilize a rapidly deteriorating economy inherited from the...
previous administration. As opposed to orthodox economic policies that adhere to liberal, market-driven economic principles, heterodox policies in Perú included: limiting the debt service payments to 10 percent of exports, introducing a new currency, fixing the exchange rate, freezing prices and wages, and reducing interest rates, among others (Crabtree 1992; Lago 1991; Reyna 2000). Although García and his APRA co-partisans had developed a long-term government plan\textsuperscript{11} before they came to office, we agree with scholars on two points: (1) García and his APRA co-partisans had not developed concrete short-term economic policies before taking office. As a result, the heterodox policies were ad-hoc improvisations, and (2) once heterodox policies failed to achieve their intended goals, García’s subsequent economic policies became incoherent and therefore ineffective to stabilize a depressed economy (Crabtree 1992; Lago 1991; Reyna 2000).

For example, there was poor coordination among wage, fiscal and monetary policies intended to deal with hyperinflation, severe budget deficits, and labor unrest (Crabtree 1992; Graham 1992; Lago 1991; Reyna 2000). In essence, although García campaigned on a platform based on long-term policy programs, once he assumed office in 1985 his policies were purely aimed at resolving short-term problems – the ones that needed immediate attention.

Why were García and APRA unprepared to govern? Neither García nor anyone from APRA had ever been elected president, which meant that despite his well-known charismatic personality, rhetorical ability, and campaigning skills García did not have any experience governing, nor could he count on his co-partisans for advice on how to organize his staff effectively. To be sure, García had much experience as an opposition leader and as a campaign manager, but the skills and organizational structures necessary to win electoral campaigns are not necessarily the most effective to organize the presidency (Hess 2002). Moreover, the lack of governing experience meant that García could not count on a readily available policy advisory system from within APRA, and thus had to rely on opposition figures who did not share his ideology or vision to fill important posts (Crabtree 1992; Graham 1992; Reyna 2000). In combination, García’s lack of governing experience, and the unavailability of a policy advisory

\textsuperscript{11} Although APRA published a document titled National Development Plan 1986-1990, García never revealed concrete short-term economic policies. This lack of concrete ideas to deal with the severe economic crisis was clearly in the minds of journalists who published an article under the headline “García’s anti-inflationary plan still unknown” Caretas No. 857, July 1985.
system, meant that he had no choice but to organize his presidency in a very centralized fashion. This organizational structure, however, did not help him to get the information he needed, which in turn affected his ability to decrease bargaining uncertainty, and ultimately eroded his ability to persuade supporters and opponents alike of the soundness of his policies, and to implement his policies effectively.

This confluence of factors was clearly influential in the decision-making process that led to one of the most monumental mistakes of García’s first administration. In his yearly address to the nation on 27 July 1987, García announced a proposal to nationalize the 20 percent of the banking sector that remained in private hands – at the time 80 percent of the banking sector was already nationalized. This announcement was as surprising to political and business leaders, as it was devastating to the nation’s economy and to García’s power to persuade the public to support his agenda. In retrospect, it is clear that García overestimated the support he would receive from his political party, from business leaders in the private sector, and from the general public (Crabtree 1992). On the contrary, within a very short period of time most members of his cabinet resigned in protest; prominent APRA leaders denounced his economic policies; and the most important economic groups in the country publicly criticized the president’s decision to nationalize the banking industry, and reneged on their promises to fund a series of social relief programs that included food for the poor. As a result, the sector of the population that was hardest hit by the rapidly deteriorating economic conditions was the very sector that propelled him to victory in 1985. It is no wonder, therefore, that public support for García’s economic policies eroded rapidly, declining from 50% in July to 38% in November to 30% in May of the next year (Crabtree 1992; Reyna 2000). In sum, this widely acknowledged strategic mistake serves as a benchmark against which to compare García’s subsequent behavior, and therefore help us to determine whether García’s performance in his second term is a result of his favorable economic conditions, personal learning, changes to the presidency, or a combination of these factors.

As we discussed in our theoretical framework, a fundamental problem for presidents is the acquisition of information. Without credible and accurate information, decision-makers cannot develop sound policies. But how is information to be acquired? How should the presidency be organized to accomplish its informational and policymaking tasks? In the case of García’s first administration, it is widely recognized that the executive branch was highly centralized, which
resulted from García’s leadership style. For example, scholars, journalists, and former aides describe García as a hands-on micromanager who insisted on personally supervising subordinates throughout the policymaking process. They describe him as a leader who relied on the advice of very close – and very few – advisors for some of the most important decisions, and even abandoned a system of cabinet and ministerial coordination created under the Belaúnde administration. In addition, he even insisted in engaging labor leaders in direct negotiations despite having the Presidency of the Council of Ministers, the Ministry of the Presidency, and other ministries, offices, and agencies at his disposal (Crabtree 1992; Awapara Franco 2010). This style contrasts significantly with descriptions of his immediate predecessors (Fernando Belaúnde and Alejandro Toledo), who have been variously described as delegators who chose competent assistants (usually technocrats), trusted friends and family, and delegated them significant authority to carry out his policies (Crabtree 1992; Lago 1991; Morón and Sanborn 2006).

Figure 1.1 below is an organizational chart of the García presidency in 1990 (Guerra García 1999, 127). This chart shows that García organized the presidency along policy lines, focusing his attention on the most pressing issues of the time – the economy and national defense. For example, whereas the National Planning Institute (INDP), the National Development Institute (INADE), and the Office of Popular Cooperation (COOPOP) were instrumental in economic planning; the National Defense System (SDN) and the National Intelligence Service (SIN) were charged with national security issues, with particular focus on developing policies to defeat the country’s guerrilla groups. In addition to those core agencies, García relied on key ministries for the implementation of social and economic policies. For example, the Interministerial Committee for

12 Unlike the Presidencia del Consejo de Ministros, the Ministry of the Presidency had a very unstable history between 1985 and 2002. In 1985 García created the Ministry of the Presidency (Ley No. 29297 Ministerio de la Presidencia) and charged it with coordinating all multi-sectorial entities and decentralized public agencies. However, it was deactivated in 1990 (Ley 5600, and then reactivated in 1992 under Alberto Fujimori’s first administration (Decreto Ley 25556). Under Fujimori, it was charged with developing public infrastructure policies and social programs in the areas of housing, education, and public services (water, sewage, etc.). In 1998 it charge was changed once again to include the supervision of the Consejos Transitorios de Administración Regional (CTAR), which primarily functioned as regional and local planning agencies. Finally, in 2002 the Administration of Alejandro Toledo transferred the Ministry’s portfolio to other agencies, and deactivated it (Law 27783, p. 226724).
Economic and Financial Affairs (CIAEF); the Ministry of Economy, Finance and Commerce; and the Ministry of Labor were instrumental in the *implementation* of heterodox economic policies; while the Interministerial Committee for Social Affairs (CIAS) dealt with a broad range of social issues. We emphasize implementation because ministers were usually not consulted, particularly not about the most pressing and controversial policy concerns, but were expected to implement policies once enacted or serve as liaisons to important trade and labor groups in order to promote and carry out decisions taken within the president’s inner circle.

Given the difficulty of implementing complex and rapidly shifting policies, the few ministries and agencies supporting García were unable to meet their charge because they lacked the organizational capacity (i.e. they lacked experienced personnel, resources, etc.); and because García micro-managed all decisions, was unwilling to delegate, and placed more value on political and ideological loyalty than on experience implementing policies. For example, García was supposed to use the Council of Ministers as a policy advisory board, and delegate to the President of the Council of Ministers the authority to coordinate all ministries in the effective implementation of government policies, but instead García relied on a handful of key economic advisors and personally guided them in the development of complex economic policies and their subsequent implementation. In essence, while the Presidencia del Consejo de Ministros existed precisely to gather information, mediate conflicts on the president’s behalf, as well as communicate and promote the president’s policy priorities, García’s own hands-on managerial style virtually ensured that most policy recommendations received very little internal, much less external input. As a result, to most observers decision-making became ad-hoc, erratic, incoherent, and ineffective.

[FIGURE 1.1 ABOUT HERE]

If, as Neustadt argues, power depends on persuasion, persuasion depends on bargaining, and bargaining depends on information, then García’s personal style and the presidency’s low institutionalization ensured that he did not get the necessary information to enhance his bargaining leverage. Therefore, his power to persuade his co-partisans, his opponents, and the Peruvian people diminished significantly as his first administration failed to address the major problems facing
Perú. As a result, at the end of his first administration the severe decline in García’s personal prestige, the significant decline in partisan support within and outside government, and the substantial decline in public support among his constituents made it impossible for García to effectively implement his policy agenda despite possessing strong constitutional powers. In addition, the increasing severity of the recession and the intensifying conflict between the army and guerrilla groups, were clear indicators that his policies were not effective at solving his country’s problems. It would follow, then, that these experiences would teach García a few lessons about his style and about how to organize the presidency.

**García’s Second Administration, 2006-2011**

Did García learn from the mistakes of his first administration? At an individual level, the most important lesson García appears to have learned is to keep his promises. For example, in 1985 he promised to continue paying the national debt, but he did not; he promised not to nationalize the commercial banks, but he did; he promised to implement effective policies to help the poor, but the policies were very ineffective and the poor ended worse off at the end of his term. In contrast, during his second term, García promised to continue the orthodox economic policies of his predecessor, and he did. Instead of implementing heterodox economic policies like the ones during his first term, he maintained a series of orthodox policies that sought to lower inflation, stay current on the foreign debt, allow market forces to control prices, and avoid nationalization of private industries. Despite learning to keep electoral promises, Peruvian scholars and journalists continue to describe García as a micro-managing leader who tends to announce executive initiatives designed to have an immediate impact on public opinion (Tanaka and Vera 2008).

Organizationally, however, a series of institutional reforms to the presidency and the broader executive branch have made it more difficult for García to implement incoherent, ad-hoc, and potentially catastrophic economic policies. These reforms followed a number of recommendations from presidential and congressional committees specially appointed to identify, analyze, and recommend organizational changes necessary for the effective functioning and decentralization of the Peruvian state, including changes to the executive branch, the presidency of the Council of
Ministers, and all other public entities.\textsuperscript{13} The 2006 Organic Law of the Presidency in particular is very important because it clearly articulates the duties and powers different agencies and support units within the executive branch possess; it decentralizes decision-making power from the president; and creates a policy advisory system to ensure that decision are vetted by a wide array of advisors and specialized personnel before they reach the president. For a chief executive with a penchant for micro-management, secrecy, and surprise, and whose management style did not change during his second term, these institutional changes to the presidency placed significant constraints on García’s ability to enact surprise policies created under his personal supervision, in secret, and without sufficient input or advice from outside his inner circle.

Figure 2 below shows an organizational chart of the second García presidency. It is apparent from this chart that much has changed in the organizational structure of the presidency from García’s first term in office (compare to Figure 1.1). As opposed to organizing the presidency along policy lines, the reforms organize the presidency along functional tasks, with a Secretary General serving as chief of staff and its respective Undersecretary General, Secretary of the Council of Ministers, offices of institutional control (i.e. internal audit), legal counsel, planning and budget, activities and protocol, a press secretary, and other support units that form part of the general directorate of administration and operations. The organizational structure of the second García administration clearly distinguishes between the presidency, which includes the key offices dedicated to providing support and advice to the president; and the executive branch bureaucracy, which includes the various ministries, autonomous agencies, and local institutions that are technically part of the executive branch, and which were under more direct control by the executive branch during the first García administration.

\textsuperscript{13} To understand in more detail the organizations changes that have transformed the executive branch from 1985 to 2011, we collected and analyzed all executive decrees and laws that have affected the organizational development of the executive branch. These include executive decrees and laws explicitly related to the president, the presidency, and the broader executive bureaucracy. In chronological order, among the most important are: Decreto Legislativo No. 560 (1990); Constitución Política del Perú (1993); Ley de Bases de la Descentralización (2002); Ley Marco de Modernización de la Gestión del Estado (2002); Decreto Supremo 043-2004-PCM – Cuadro de Asignación de Personal (CAP) de las Entidades de Administración Pública; Decreto Supremo No. 066-2006-PCM – Reglamento de Organización y Funciones del Despacho Presidencial (ROF); Ley 29158 - Ley Orgánica del Poder Ejecutivo (2007).
In terms of growth, according to Ruiz Pérez (1996) the total number of personnel in the executive office and the Presidency of the Council of Minister at the end of the first García administration in 1990 was 4,980 and 2,393 respectively. In comparison, the total personnel in these units at the end of the second García administration in 2011 were 298 and 230 respectively. Comparatively from 1990 to 2011 there was a 94% decrease in personnel in the office of the presidency, and a 90% decrease in the Presidency of the Council of Minister. These figures highlight the disconnect that existed between the size of the presidency and the bureaucracy, and García’s managerial style during his first term in office. That is, while García preferred a highly centralized management style during his first term, the presidency employed a rather large staff organized along policy lines. In contrast, while García’s management style did not change during his second term, the presidency employed a much smaller staff organized along functional lines.

In addition to the core advisory system housed within the executive office, the executive branch includes the Presidency of the Council of Ministers (PCM), each respective ministry (e.g. Economy and Finance, Interior, Justice, etc.), and a large number of bureaucratic agencies designed to implement government policies. For example, the PCM is comprised of senior cabinet officers, but through a number of recent decrees and laws this organization has gained significant autonomy from the president, and engages in a number of activities related to the implementation, monitoring, and coordination of policies.

Notice for example, that while formally in existence, during the first García administration the Presidencia del Consejo de Ministros was mostly in charge of coordinating three units: Interministerial Committee for Economic and Financial Affairs (CIAEF); Interministerial Committee for Social Affairs (CIAS); and the Corporaciones Departamentales de Desarrollo.

---

14 I was unable to locate a staff directory or an organizational chart that illustrated the structure of the executive branch from this period of time. The publication of an annual staff roster is a relative new institutional development, and which all entities do not provide consistently.

15 These figures come from Cuadros de Asignación de Personal (CAP), which is a detailed roster of staff for each unit of the executive branch and any other state government entity. These CAPs are part of the norms established in reforms mentioned in footnote 6 above.
(CORDES). In contrast, and as seen on Figure 3.1, by the end of García’s second administration, the PCM had grown to encompass fifty units in charge of monitoring all multisectoral policies and programs for the president, coordinating executive-legislative relations, coordinating and monitor decentralization policies; coordinating and communicating the president’s policy agenda; and arguably most importantly, the PCM has been charged with designing, formulating, and negotiating conflicts between civil society and the executive. To this end, Decreto Supremo 010-2010-PCM detailed the creation of Oficina de Gestión de Conflictos Sociales, a specialized technical unit to deal specifically with the management of social conflicts.

[FIGURE 3.1 ABOUT HERE]

The creation of this unit places the PCM in a strategically important position in the presidency, and in a place of primacy to deal with some of the most contentious issues facing Perú. As a result, the PCM has become one of the most important actors in the presidency, and second only to the president in terms of control over resources, development and implementation of polices, and relevance for national politics in general. The fact that instability is a constant for the PCM only underscores its importance for the president. Put differently, the PCM’s growing importance and its strategic place as a buffer between the president and civil society, serves as an important and unique safety valve, and a source of stability for the executive branch.

For García, these institutional changes placed important barriers in his road to developing ineffective policies, while enhancing the informational gathering capacity of the presidency and decreasing bargaining uncertainty. This means that despite García’s leadership style, actors in the political system could expect most policies to be vetted outside of the president’s inner circle before being announced and implemented; and as a result bargaining uncertainty was reduced because all actors could be certain that the president would not be able to develop ad-hoc policies at whim. Paradoxically, then, the instability of the PCM points to a more stable executive branch as a whole, one able to develop and implement policies more effectively.

Conclusion
Using organization theory and learning theory as a framework to understand presidential behavior and relying on primary and secondary documents detailing the organizational changes in the executive branch, this chapter has taken a first step toward a model that can explain how chief executives and their supporting organizations learned from their mistakes and engaged in a concerted effort to give the president the help he needed. Taking the concepts of bargaining uncertainty and organizational learning as central components of presidential policymaking, we find that García’s relative success in his second term is the result of institutional reforms to the executive branch; particularly the reorganization of the presidency along functional lines, and the institutionalization of the Presidencia del Consejo de Ministros, which helps the president acquire information, lower bargaining uncertainty, and produce effective policies.

As Gabriel García Márquez shows in *One Hundred Years of Solitude*, the world does not change – the characters in it do. In the case of ex-presidents who come to office after long interludes, the opposite appears to be the case: the world changes but the characters remain the same. Under these conditions, learning from previous experiences is essential to avoid monumental mistakes. In the case of president García, his leadership style remained the same, but the presidency around him has changed. It is the change that took place at the organizational level that appears to have had the most impact on policy effectiveness the second time around. This organizational change has important implications for democratic consolidation in Perú, and it also points toward an important area of research that has been neglected thus far. In particular, to understand how presidents minimize uncertainty we need to understand how the presidency affects the ability of chief executives to maximize their information, minimize bargaining uncertainty, and maintain their power to persuade. Particularly in the context of countries with long histories of poor policy performance in the face of severe economic, social, and political crises, it is important to understand the importance of the presidency on presidential behavior, policy outcomes, and policy effectiveness.

At this point it would be prudent to point out that this study has some limitations. First, it does not take into account the significant changes in Perú’s party system and electoral system after García’s first term ended. Subsequent studies could look more closely at the relationship between these institutional changes and their impact on the presidency properly conceived. Second, subsequent administrations were able to stabilize the economy and defeat the guerrilla groups
operating in the country. Economic stability and peace, therefore, made it possible for Peruvian businesses and government to attract foreign capital and investments, while allowing policymakers to focus their attention on job creation, poverty reduction, and infrastructure development, among other economically important goals. That is, the president’s attention and the nation’s resources were not constantly diverted away from his focus on economic development. But favorable conditions do not make effective policies – presidents and the presidency that support them do. Therefore, despite these important limitations, the value of using a framework that places emphasis on the presidency is well justified because ultimately, during good or bad times, a well-organized presidency is crucial to a president’s ability to reduce bargaining uncertainty and implement effective policies, not just successfully implement a successful agenda. That is to say, the power of the president is intricately related to the organization most directly related to the president – the presidency.

In closing, much has been written about the importance of institutions on democracy and economic development, this chapter takes a closer look at one institution, and shows the way and the extent to which a careful analysis of the presidency can help explain important puzzles about Latin American politics, particularly why some states are unable to effectively promote economic development and how institutional factors are central to explaining such failures. It has shown that the lack of institutionalization of the presidency, as an organization, might be one important reason why presidentialism has performed so poorly in Latin America. If presidents need information to enhance their bargaining power, and if information depends on effective organizational structures, then it follows that Latin American presidents should organize their presidencies accordingly to avoid the monumental mistakes of the past.


Decreto Supremo Nº 010-2010-PCM – Modifica el Reglamento de Organización y Funciones de
la PCM, accessed May 1, 2017.

Decreto Supremo N° 079-2011-PCM – Modifica el Reglamento de Organización y Funciones de la PCM, accessed May 1, 2017,


Morón, Eduardo, and Cynthia Sanborn. “The Pitfalls of Policymaking in Perú: Actors,
Figure 1.1 Organizational Chart of the Presidency, Perú 1990
Source: Guerra García (1999), p. 127
Figure 2.1 Organizational Chart of the Presidency, Perú 2011
Source: Secretaría de la Presidencia de la República.
Figure 3.1 Organizational Chart of the Presidencia del Consejo de Ministros, Perú 2015
Source: Presidencia del Consejo de Ministros.