Journal of Economic Perspectives—Volume 18, Number 4—Fall 2004—Pages 69–92

How to Subvert Democracy: Montesinos in Peru

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Peru has in place the full set of democratic mechanisms: a constitution, opposition parties, regular elections, a presidential term limit, safeguards for the independence of the judiciary, and a free press. In the 1990s, Peru was run, in the name of President Alberto Fujimori, by its secret-police chief, Vladimiro Montesinos Torres. In the course of exercising power, Montesinos methodically bribed judges, politicians, and the news media. Montesinos kept meticulous records of his transactions. He required those he bribed to sign contracts detailing their obligations to him. He demanded written receipts for the bribes. Strikingly, he had his illicit negotiations videotaped.

In what follows, we use Montesinos's bribe receipts and videotapes to study the breakdown of checks and balances. Montesinos and Fujimori maintained the facade of democracy—the citizens voted, judges decided, the media reported—but they drained its substance. We discuss how they went about undermining democracy: the negotiation and enforcement of the secret deals, the workings of covert authoritarianism.

Of the checks and balances that underpin democracy, which is the most forceful? We use the bribe prices to quantify the checks and balances. The size of the bribes indicates how much Montesinos was willing to pay to buy off those who could have checked his power. The typical bribe paid to a television-channel owner was about a hundred times larger than that paid to a politician, which was somewhat larger than that paid to a judge. One single television channel's bribe was five times larger than the total of the opposition politicians' bribes. The strongest of the checks and balances, by Montesinos's revealed preference, was television.

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"The accumulation of all powers, legislative, executive, and judiciary, in the same hands," said James Madison, "may justly be pronounced the very definition of tyranny" (Hamilton, Madison and Jay, 1788 [1961], p. 301). The Fujimori regime, by stealth, accumulated all of these powers, plus power over the news media. Understanding how democratic institutions can be subverted—where the weak points are and how the parts of the system interact with each other—might be useful in designing governance systems elsewhere that are less corruptible. Montesinos's bribes reveal which of the checks is the hardest to undermine.

Lies and Videotape

In 1990, Alberto Fujimori, a political novice, was elected president of Peru, a country in turmoil. Economic mismanagement had brought hyperinflation and negative growth. An insurgency driven by the Shining Path, a murderous band of Maoist guerillas, would by its end bring 69,000 deaths.[1]

Fujimori appointed Montesinos his advisor and head of the *Servicio de Intelligencia Nacional* (the national intelligence service, with the apt acronym *SIN*). Montesinos had had a checkered career. Starting out as an army officer, he had been dishonorably discharged on charges of selling secret documents to the United States; then in the 1980s he had been a lawyer for Colombian drug dealers. He made good use of the connections he had forged in his time in the military, obtaining his influence by serving as a bridge between a weak military and a weak president, says Peruvian political analyst Umberto Jara (2003, p. 38). He was "the nexus capable of uniting two weaknesses: an army that had lost its prestige because of subversion and human rights violations, and a political unknown, absolutely solitary, without a political organization or a social base."

Montesinos used to boast that he could manipulate the president, reportedly describing Fujimori as "completely malleable: he does nothing at all without my knowing it." After the regime fell, Fujimori claimed, implausibly, not to have known what Montesinos had been doing in his name. "He provided me with information, intelligence. Nobody imagined that, behind the scenes, he was working for himself." A secret U.S. intelligence document, since declassified, reveals that, as early as the first year of Fujimori's presidency, retired Peruvian army generals had warned U.S. intelligence officers about what they called the "extraordinary" situation that "the intelligence apparatus is in effect running the state."[2]

The Fujimori government claimed two major early successes: ending the terrorist insurrection and sparking economic growth. The Shining Path leader,

[1] According to the 2003 report of the Truth and Reconciliation Commission (Juan Forero, "Peru Report Says 69,000 Died in 20 Years of Rebel War," *New York Times*, August 29, 2003, p. A3). For an overview of Peru in the 1990s, see McClintock and Vallas (2003).

[2] The Montesinos quote is from Bowen and Holligan (2003, p. 127), and the Fujimori quote is from David Pilling, "Peru's Premier Suspect," *Financial Times*, May 1, 2004. The U.S. intelligence report is at ⟨http://www.gwu.edu/~nsarchiv/NSAEBB/NSAEBB37/01-01.htm⟩.

Abimael Guzmán, was captured in 1992, and then thousands of his followers. Economic reforms, with deregulation and privatization, brought an influx of foreign investment. An anti-inflation program brought inflation down from over 7,000 percent in 1990 to 10 percent in 1995 (Marcus-Delgado and Tanaka, 2001, p. 76). As a result, whereas from 1981 to 1990 annual growth had averaged –1.2 percent, from 1991 to 2000, it averaged 4 percent.

With its antiterrorist and free-market stances, the Fujimori administration won the support of the United States. The CIA viewed Montesinos as an ally, reportedly paying him millions of dollars between 1990 and 2000 for his help, supposedly, in the war on drugs. The Lima CIA station chief, in a 1998 letter to Montesinos, expressed "admiration" for his "leadership, dedication, and professionalism"—despite evidence that he was actually running drugs in collaboration with the Colombian cartels.[3]

"Fujimori was very popular," noted Mario Vargas Llosa, the novelist who had been the losing candidate for president in 1990. "Though dirty things were going on—torture, killings and corruption—his image was of a strongman who would defend people against the terrorists."[4] In 1992, Fujimori mounted a coup against his own government (*autogolpe*). After closing the Congress and suspending the constitution, he decreed laws specifying harsh sentences for terrorists, trying some of them in secret courts with the judges hooded to protect them from reprisals. Democracy returned, at least superficially, with an election in 1995, which Fujimori won. In May 2000, Fujimori won re-election to a third term. In order to run, he had to persuade the Congress to override the term limit specified in the constitution. The election was widely regarded as rigged.

Just three and a half months later, the government fell. The end came when one of Montesinos's videotapes was broadcast on television. Montesinos was seen paying opposition congressman Alberto Kouri US$15,000 to switch sides and support the president. Other videotapes subsequently were broadcast, becoming Peru's own distinctive form of reality television. The tapes, which came to be called the *vladivideos*, revealed the breadth of Vladimiro Montesinos's reach. They showed him, for example, offering Alipio Montes de Oca, a Supreme Court Justice, the presidency of the National Elections Board plus an extra US$10,000 monthly salary, medical care and personal security; bribing Ernesto Gamarra, a member of a congressional committee investigating Montesinos's sources of money, to direct the investigation away from Montesinos; and assuring the owner of Lucchetti, a Chilean pasta company, of a favorable judgment in a legal dispute over the construction of a factory.

Fujimori fled to Japan, from where he resigned the presidency by fax. He was

[3] The letter is quoted in Bowen and Holligan (2003, p. 198). On the *SIN*-CIA connection, see McClintock and Vallas (2003, pp. 57, 120); Karen DeYoung, "'The Doctor' Divided U.S. Officials," *Washington Post*, September 22, 2000, p. A1; Kevin G. Hall, "CIA Paid Millions to Montesinos," *Miami Herald*, August 31, 2001; Angel Paez, "CIA Gave at Least $10 Million to Peru's Ex-Spymaster Montesinos," Center for Public Integrity, ⟨http://www.publici.org/dtaweb/report.asp?ReportID=118&L1=10&L2=70&L3=15&L4=0&L5=0&State=&Year=2001⟩.

[4] Maya Jaggi, "Fiction and Hyper-Reality," *Guardian*, March 16, 2002.

indicted on charges not only of corruption but also murder, kidnapping and narcotics trafficking, though Japan, having granted him asylum, rejected Peru's extradition requests. Montesinos was arrested in Venezuela and returned to Peru, where he was tried and found guilty of "usurpation of authority" during his government service, and faced more than 50 additional charges, including influencing judges, overseeing Peru's drugs trade and running death squads. Some 1,600 Peruvians faced criminal charges from having been in the Montesinos network.

Documenting Corruption

Montesinos time and again proclaimed himself a patriot. The videos show him declaring he was driven to "bring peace back to the country" by ending terrorism and drug trafficking. "Here we work for the national interest," he told a television executive. "I get nothing out of this; on the contrary, only hate, passions, intrigues, and resentment. I do it because of my vocation of service to the nation."[5] After he was arrested, Peruvian investigators traced over US$200 million in his overseas bank accounts. His patriotism, evidently, did not preclude enrichment.

The Lima prosecutor's office now estimates that the Fujimori government appropriated about US$600 million from Peru. That sum places Fujimori sixth in a rogues' gallery of head-of-state embezzlers, behind Indonesia's Suharto, the Philippines' Marcos, Zaire's Mobutu, Nigeria's Abacha and Serbia's Milosovic (Transparency International, 2004, p. 13). Our focus is not on the corrupt money raising, however, but the reverse, Montesinos as corrupter. Montesinos exploited the avarice of others to evade democratic constraints. Bribery was a means of control, a method for exercising power.

While it may seem peculiar that Montesinos videotaped his bribery, there is logic to it. The tapes were his proof of the others' complicity. He made sure the videos recorded the bribe takers accepting his cash, as shown in Figure 1. One video shows him pulling wads of bills from a plastic bag and putting them into a briefcase. Another shows him counting the money: "And now comes the good stuff. One, two, three, four, five, six." His counterpart said, "Here there is a million. Better this other little briefcase, no?" He replied, "Which one? No, no, this one is great because you can close it. . . . You can keep it as a gift. Look: one, two, three, four, five, six, seven, eight, nine, ten, a million. One, two, three, four, five, six, seven, eight, nine, ten, two million." Montesinos told some people he was taping their meetings. On one occasion he said, "It is already filmed." On another, his interlocutor asked, "Do you have that recorded?" and he responded in the affirmative.[6] The tapes gave him a threat he could use against anyone who might turn against

[5] Videos 1347-48, February 26, 1999 (Jochamowitz, 2002, p. 45).

[6] The quotes are from Video 1349-50, February 26, 1999; Video 1780, undated (also in Jochamowitz, 2002, pp. 13, 24); Video 866, January 15, 1998 (Jochamowitz, 2002, p. 46); and Video 1312, January 12, 1998.

Figure 1
Counting Out a Bribe



Montesinos counting out US$1.5 million for José Francisco Crousillat, the vice president of *América Televisión,* Channel 4 (from a *vladivideo*).
Source: Peruvian Congress, *El Heraldo,* Photo Archive.

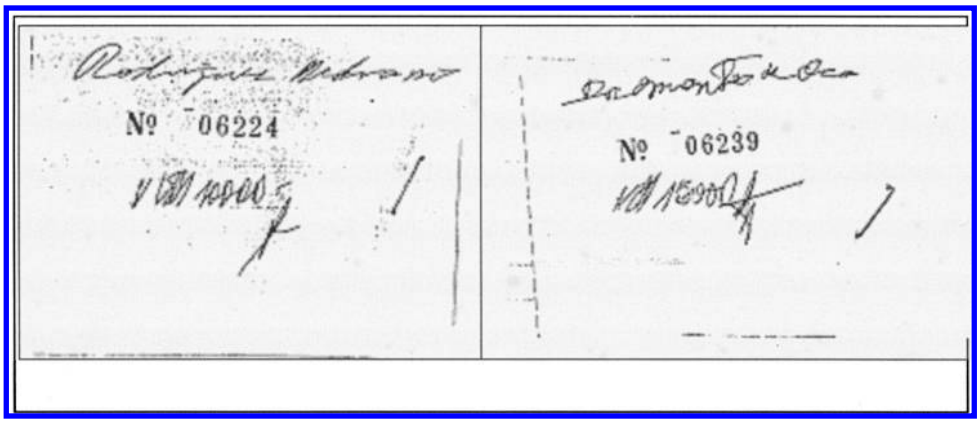
him, though he could use this threat only if all collapsed. Also, the tapes gave him the power to destroy the president, so Fujimori could not fire him.

An additional, more mundane reason for taping the meetings, probably, was recordkeeping. Dealing with more than 1,600 people, Montesinos needed ways of keeping track of who had been paid and what actions had been promised. Bribe receipts, secret contracts and audiotapes served as records in addition to the videotapes.

Our data consist of a price list: the amounts Montesinos paid to bribe judges, politicians and the news media. It is rare to get data on bribery. We were able to collect the data thanks to Montesinos's documentation. Transcripts of some of the videotapes and audiotapes, covering 66 of Montesinos's meetings, are on the Congress's website.[7] From a Peruvian journalist we obtained some of Montesinos's bribe receipts, such as those in Figure 2. The political and judicial processes against Montesinos and Fujimori have yielded further data. Congress formed several investigative commissions, which held open hearings and produced extensive reports. Montesinos himself participated in some of these hearings. The prosecutors induced some Montesinos subordinates to betray their former boss in exchange for reduced sentences, and their revelations are in the congressional reports. Also, some close collaborators of Montesinos and Fujimori have published their own accounts of their experiences (Bresani, 2003; Bustamante, 2003). Since data coming from the participants' testimony are open to question, wherever possible we used multiple sources for such data. Investigative journalists have uncovered a great deal of information, presented in richly detailed articles in

[7] Congress website: ⟨http://200.37.159.14/SICR/diariodebates/audiovideos.NSF/indice⟩.

Figure 2
Bribe Receipts



Typical receipts demanded by Montesinos. Left: a Supreme Court justice acknowledges being paid US$10,000. Right: a member of the National Electoral Board acknowledges being paid US$15,000.

newspapers like *La República,* magazines like *Caretas,* and in books such as Bowen and Holligan (2003). As a check on the published sources, we interviewed some Fujimori-era officials, a former *SIN* agent, a member of Congress, some Peruvian journalists and academics, and the two chief prosecutors at the trials of Montesinos and his cronies. Our information, then, comes from a range of sources: congressional reports, insiders' testimony, journalists' writings, our interviews, bribe receipts and the *vladivideos* themselves.

How many *vladivideos* were made remains a mystery. Initial reports suggested there were about 2,000. From jail, Montesinos claimed, probably untruthfully, to have more than 30,000. Many Peruvians believe that when Fujimori fled he took several hundred. A room in Peru's Congress houses more than 1,600, only a fraction of which have been made public. It is impossible to obtain a complete picture of what went on inside the *SIN,* but much has emerged as more videos have become available and the judicial process has advanced.

Our data cover events in the final three years of the Fujimori regime, 1998 to 2000, when Montesinos's main goal was to get Fujimori reelected for a third term.

Doing Secret Deals

Montesinos ran a massive covert operation. Thousands of transactions had to be carried out in secrecy. How did he manage such a complex organization? "The addiction to information is like the addiction to drugs," Montesinos declared. "We live on information. I need information." He needed it to identify opportunities and to ensure deals were kept. He tapped the telephones of both enemies and allies. On a wall of his *SIN* office, 25 television screens showed scenes beamed live

from hidden cameras in the presidential palace, the Congress, the courts, downtown Lima and the airport.[8]

Although Montesinos sometimes required those he bribed to sign a contract having the form of a legal document, as we will discuss, his contracting was probably not enforceable by the courts. Peru's civil code decrees invalid any contract that goes against laws that support the public interest, and bribery is presumably against the public interest. Moreover, Peru's criminal code bars *asociación ilícita para delinquir*, or illicit association to commit an offense. (It was under this clause that, after the Fujimori regime fell, some of those who took bribes from Montesinos were prosecuted.) Lacking legal status, Montesinos's contracts had to be self-enforcing. How did he structure his deals so as to create incentives for his respondents to live up to them?

His position as secret-police chief endowed Montesinos with some enforcement muscle. However, he maintained that he tried to avoid using violence, as he considered it too costly. For instance, rejecting a subordinate's suggestion to use death threats against television owner Baruch Ivcher, he said, "Remember why Pinochet had his problems. We will not be so clumsy. And, besides, what's the purpose of ordering the death of anybody? This is madness."[9] Montesinos ran death squads, so this comment should be taken with a grain of salt. But the death squads targeted mostly peasants and students, and perhaps he calculated that using violence against prominent people could backfire. If he threatened someone, others might become reluctant to transact with him. He had other methods for enforcing agreements.

Montesinos used the shadow of the future to create incentives for those he bribed. He commonly arranged his payments in monthly installments, under which defection was less likely than with a large one-shot payment. The contracts he had television-channel owners sign stipulated that payments were to be made monthly and were to be backed by a letter of credit. As another example, he told a public official to whom he had given a job, "Apart from the salary, that is ten or fifteen thousand *soles*, I am going to give you $10,000 monthly. . . .You come here every month, I give you a little envelope and that's it. And then you do not have the economic problem."[10]

Given the strength of Montesinos's bargaining position, it might have been expected that he would make take-it-or-leave-it demands to squeeze out all the surplus, but he did not. The videotapes show him haggling with the bribe takers. An example is his description to a crony of a negotiation with a congressman. "I said five. No, he said, I can't do anything with five, I spend it in a week. Twenty he wants monthly. Now, I am not going to quibble, good, twenty then."[11] Montesinos left

[8] The quotes are from Videos 872-73, January 26, 1998, and Videos 1347-48, February 26, 1999 (Jochamowitz, 2002, p. 5). On the television screens: Bowen and Holligan (2003, p. 266).
[9] Audio CD 1289, 129A-B, December 31,1998 (Jochamowitz, 2002, p. 45).
[10] Videos 888-89, May 3, 1998 (Jochamowitz, 2002, p. 192).
[11] Audio B-139 A-4, undated (Jochamowitz, 2002, p. 163).

some surplus with the bribe takers, perhaps so they would have an incentive to go on dealing with him.

The need for enforcement mechanisms was mitigated by one general feature of all corrupt deals. The very fact that an illicit deal has been done makes both parties dependent on each other, for either could denounce the other (Lamsdorff, 2002). Speaking of an opposition congressman, Montesinos said, "He is one of us, brother, he is committed." Referring to a member of the National Elections Board, he affirmed: "Yes, he is with us. . . He has risked it a thousand times for us, a thousand and one."[12]

Montesinos tried to pre-empt defection by cultivating camaraderie. "The important thing, brother, is that. . .we support each other," he told a television executive he was bribing. Such assertions recur in the *vladivideos.* "When one works in a team, one does not work for oneself." Something finer than self-interest united them, he liked to say. "How do friends help friends?. . .They do not say: hey, I give you this, so you do this." Again: "Because you are my kind, there is a chemistry of friendship." We can only guess what the others must have made of such avowals from this ruthless man. Some of them replied in kind, though. "I am absolutely honest with you. My commitment is not of a monetary character but of friendship," said a newspaper executive whom Montesinos paid US$1 million.[13]

The Wages of *SIN*

Montesinos had various sources for his bribe money. From 1990 to 2000, the *SIN* budget, which was secret and unsupervised by the Congress, increased by more than 50 times. By 2000, it was about US$1.5 million per month, of which about a quarter went to operational costs and salaries, leaving about US$1.1 million for Montesinos to spend. He was not required to justify how he spent it. In addition, he received under-the-table sums via the Ministry of the Interior and the military, shown in Table 1. By 2000, he was getting about US$750,000 per month in unrecorded cash from these other government agencies. Further, he siphoned money from state contracts. When he needed more, he requested contributions from his accomplices in arms deals and other illegal businesses. According to his bookkeeper, Matilde Pinchi Pinchi, in 2000, money was flowing into the *SIN* at a rate of US$8 million to US$9 million per month (Bowen and Holligan, 2003, pp. 272–273, 326–327; Rospigliosi, 2000, p. 201).

All the bribe prices in what follows are cited in U.S. dollars. In most cases, we did not have to convert from Peruvian *soles,* because Montesinos actually paid in dollars. One video shows him apologizing to the recipient of a bribe for paying in *soles,* as he did not have dollars on hand.

[12] Audio 352-A, undated, and Audio 1196, August 14, 1998.

[13] The Montesinos quotes are from Video 1783, November 10, 1999; Video 1323-6, November 23, 1998; Video 1492, April 21, 1999; and Videos 1291-92, January 5, 1999 (Jochamowitz, 2002, pp. 27, 47, 153). The final quotation is from Eduardo Calmell, director of *Expreso,* on Video 1492, April 21, 1999.

Table 1
Money Contributed to the SIN by Other Public Agencies
(in millions of U.S. dollars)

	1992	*1993*	*1994*	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*	*Total*
Ministry of Interior		3.0	2.7	2.7	2.4	2.3	2.0	1.8	1.4	18.4
Ministry of Defense	4.4	6.0	4.4	4.3	3.9	3.6	3.3	2.8	7.7	40.4
Peruvian Marines			0.3							0.3
Peruvian Air Force			0.3							0.3
Peruvian Army			0.5	1.3	1.1	1.4	1.8	1.0		7.2
Total	4.4	9.1	8.2	8.2	7.4	7.3	7.1	5.6	9.1	66.5

Source: Presented by Colonel Jose Villalobos Candela, Administrative Director of the *SIN* in 2000, during his deposition on October 19, 2002, to the investigative congressional commission. *Informe Final de la Subcomisión Investigadora de la Denuncia Constitucional* No. 6; Available at ⟨http://www.congreso.gob.pe/congresista/2001/destrada/denuncias/denuncia-6.pdf⟩.

The bribe prices of politicians are in Table 2. The politicians' bribes are mostly between US$5,000 and US$20,000 per month. A congressman's official monthly pay, for comparison, was about US$4,500 plus US$4,500 for expenses in 1995 (Pollarolo, 2001). One outlier is Rodríguez Aguillar, who got US$50,000 per month. According to Montesinos, "the conversations with the lady [Rodríguez] were slower, they lasted about three weeks, because she is a difficult person and because her husband, who is the mayor of Piura, was always counseling her." The bribe was higher than usual, it seems, because she bargained hard and because two politicians came for the price of one. In addition to monthly payments, Montesinos sometimes made one-time payments of up to US$100,000, calling them campaign contributions, though since they came from the intelligence service they were hardly conventional campaign money.

Bribes went not only to opposition congressmen, but also to Fujimori's cabinet. A prominent example is Federico Salas, Fujimori's last prime minister, who confessed to accepting an extra salary from Montesinos of US$30,000 per month. While it may seem odd that Fujimori felt a need to pay off his own allies, perhaps this came about because he had entered politics without a party and had to build his own. Peru's politics were driven less by ideology or policy than by distributional issues.

The congressmen's deals were consummated in April and May of 2000, during the run-up to the presidential election. Montesinos made an initial payment immediately upon signing, then monthly payments, the signing bonus usually being the same amount as the monthly payment. These congressmen signed three documents: a receipt for the bribe; a letter asking Fujimori to admit him or her into Fujimori's party, *Perú* 2000; and, on congressional letterhead paper, a *compromiso de honor* (a promise on one's honor, a gentleman's agreement), an example of which, in English translation, is shown as Figure 3. Congressman Mario González Inga agrees to switch to Fujimori's party for the duration of a congressional term, promising to "directly receive instructions" from Montesinos.

Bribes going to judges are in Table 3. The sums going to judges are more

Table 2
Political Capture

Name	*Party (Presidential candidate)*	*Bribe (Monthly)*	*Favors*
	Those who changed their party for Peru 2000 (Fujimori's party)		
José Luis Cáceres Velásquez	FREPAP (Ataucusi)	US$20,000	(*) +US$50,000 (one-time) +US$100,000 (one-time) +Judicial favors
Róger Cáceres Pérez	FREPAP (Ataucusi)	US$20,000	
Ruby Rodríguez de Aguilar	APRA (Salinas)	US$50,000	Judicial favors for her husband
Jorge Polack Merel	PSN (Castañeda)	**	Vice President of the Foreign Relations Commission in Congress
Juan Carlos Miguel Mendoza del Solar	PSN (Castañeda)	US$10,000	
Gregorio Ticona Gómez	PP (Toledo)	US$10,000	US$15,000 (signing bonus) +US$20,000 (car) +US$3,000 (apartment). Land deal in Titicaca Lake that would insure his reelection
José Luis Elías Ávalos	A (Salas)	US$15,000	+US$40,000 ("campaign reimbursement") +US$60,000 (continue campaigning)
Antonio Palomo Orefice	PP (Toledo)	US$20,000	
Mario Gonzáles Inga	PP (Toledo)	US$20,000	
Alberto Kouri	PP (Toledo)	US$15,000	
Edilberto Canales Pillaca	PP (Toledo)		Judicial favors, Apparently no payment
Eduardo Farah	PSN (Castañeda)		
	Those who did not change their party (informants or moles)		
Jorque D'Acunha Cuervas	PP (Toledo)	US$10,000	
Waldo Enrique Ríos Salcedo	FIM (Olivera)		US$10,000 (one time payment) +Judicial help with the National Electoral Board
Maria del Milagro Huamán	PP (Toledo)	US$30,000	
José León Luna Gálvez	PSN (Castañeda)	US$7,000	
Guido Pennano Allison	FIM (Olivera)	US$15,000	(US$30,000 Pinchi) +US$20,000 (car)
	Members of Fujimori's party		
Rolando Reátegui	P00	US$3,000	
Luz Salgado	P00	US$20,000	
Carmen Lozada de Gamboa	P00	US$20,000	
Manuel Vara Ochoa	P00	US$20,000	
Martha Chavez Cossío de Ocampo	P00	US$20,000	
Sobero Taira	P00	US$20,000	
	Members of the executive		
Victor Joy Way	Prime Minister	US$10,000	
Federico Salas	Prime Minister	US$30,000	
Alberto Bustamante	Minister of Justice	US$5,000	

Sources: Informe Final de la Subcomisión Investigadora de la Denuncia Constitucional No. 6; Available at ⟨http://www.congreso.gob.pe/congresista/2001/destrada/denuncias/denuncia-6.pdf⟩, Public deposition of Montesinos before this commission; Available at ⟨http://www.agenciaperu.com/actualidad/2002/ene/vladi_com_estrada.htm⟩, the transcript of the first video, where Montesinos hands US$15,000 to Kouri is at *La República,* 15 September 2000, the source of Federico Salas confession is *El Comercio*; Available at ⟨http://www.elcomercioperu.com.pe/ecespe/html/montesinos/montesinos_archivo1.html⟩.

Notes: Party affiliations are *Frente Popular Agrícola del Perú* (FREPAP), Partido Aprista (APRA), *Perú Posible* (PP), *Avancemos* (A), *Frente Independiente Moralizador* (FIM), *Partido Solidaridad Nacional* (PSN), *Perú* 2000 (P00). Payments are monthly unless otherwise stated.

(*)The source of this number is Matilde Pinchi Pinchi, Montesinos's bookkeeper, not Montesinos.

(**) Pinchi also claims that Polack received three payments on the amounts of US$80,000, US$250,000 and US$160,000. When Montesinos was asked about this, he did not deny it, but asked to be allowed not to talk about it in public because it concerned a "private matter."

Figure 3
Example of a *Compromiso de Honor*

The subscriber of this document, González Inga, Mario, elected as Congressman of the Republic in the recent general elections, with the present document irrevocably renounces membership of the political party *Perú Posible,* in whose list I participated as a candidate; and therein I recover my political independence, committing to support the political party *Perú 2000,* which I join for the five years of duration of my congressional duties. I will act in close collaboration with the bearer of this document, from whom I will directly receive instructions about these particulars.

In faith of which and as an expression of the Commitment of Honor that I voluntarily assume as of now, I subscribe in the city of Lima, the twenty-second day of April of the year 2000.

(Signed) Mario González Inga

Source: Informe Final de la Subcomision Investigadora de la Denuncia Constitucional No. 6; Available at ⟨http://www.congreso.gob.pe/congresista/2001/destrada/denuncias/denuncia-6.pdf⟩.

uncertain than for politicians and the media, for our data are incomplete. The numbers in the first column of bribe data in Table 3 show aggregates of an unknown number of payments, the frequency with which the judges were paid is unclear, though in one case, that of Montes de Oca, there is video evidence that he received a US$10,000 payment monthly.[14] The numbers in the second column of bribe data in Table 3 come from receipts such as those in Figure 2. Our best guess is that the judges' payments were made monthly, as was the case for the politicians and the news media executives, and that the second column of bribe data shows monthly payments. The judges' bribes tend to be lower than the politicians'. The bribe price for Supreme Court and Superior Court judges is mostly US$5,000 to US$10,000 per month, two or three times their official salaries.

Bribes of the news media are in Table 4. The director of *Expreso*, a broadsheet newspaper, received US$1 million in two payments three weeks apart, ostensibly so he could buy a controlling block of the company's shares. *El Tío*, a tabloid newspaper, was paid a reported total of US$1.5 million over two years (or roughly US$60,000 per month), under an incentive contract based on content: US$3,000 to US$4,000 for a front-page headline, US$5,000 for a full-page article, US$500 for a shorter article. Other tabloids like *El Chato*, *El Chino*, *La Chuchi*, *El Mañanero* and *El Diario Más*, according to Conaghan (2002, p. 118), received similar deals.

Among television channels, one (Channel 7) was state owned, and Montesinos had control over its content. The five private television broadcasters, Channels 2, 4,

[14] Videos 888 and 889, May 3, 1998 (Jochamowitz, 2002, p. 192).

Table 3
Judicial Capture

Position	*Name*	*Bribe data (Bresani)*	*Bribe receipts*
General Manager of the Judicial Power	Ricardo Mendoza Torres (Montesinos' cousin)	US$55,000	US$10,000
			+US$5,000
			+US$10,000
			+US$10,000
Justice in the National Elections Board	Alipio Montes de Oca	US$50,000	US$15,000
			+US$10,000
Justice in the National Elections Board	Luis Serpa Segura	US$45,000	US$10,000
			+US$10,000
			+US$10,000
President of the Supreme Court	Victor Raul Castillo Castillo	US$35,000	US$10,000
Supreme Justice	Luis Ortiz Bernardini	US$25,000	US$10,000
President of the Superior Court	Pedro Infantes Mandujano	US$24,000	US$5,000
			+US$3,000
			+US$3,000
Superior Justice	Raul Lorenzzi Goicochea	US$25,000	
Justice in the Appeals Court	William Paco Castillo Castillo	US$16,000	US$10,000
Supreme Justice, Provisional	Alejandro Rodríguez Medrano	US$10,000	US$5,000
			+US$5,000
			+US$10,000
Supreme Justice	Carlos Saponara Miligan	US$10,000	US$5,000
			+US$5,000
Superior Justice in a local Court	Daniel Bedrinana Garcia	US$2,500	
Judge	Percy Escobar Lino	US$10,000	US$5,000
			+US$5,000
Judge	Fernando Aguirre Infante	US$10,000	
Judge	Manuel Ruiz Cueto	US$6,000	
Judge	William Ardiles Campos	US$3,000	
Judge	Victor Martínez Candela	US$3,000	
Judge	Sonia Pineda	US$2,500	
Judge	Alminda Lopez Pizarro	US$2,500	
Judge	Willy Herrera Casina	US$2,500	
Judge	Nicolas Trujillo López (Ivcher case)		US$5,000
President of the Public Law Court	Sixto Muñoz Sarmiento (Lucchetti and Ivcher cases)		US$3,000
			+US$3,000

Others involved but without data on bribes:

Supreme Court Justices: Orestes Castellares Camac, Eliana Salinas de Alencastre, Jorge Gonzáles Campos, Arturo Chocano Polanco, Jose Pariona Pastrana, Carlos Alarcon del Portal, Wilber Villafuerte Mogollón, Juan Quespe Alcalá, Luis Castro Reyes, Carlos Henriquez Colfer, Juan Miguel Ramos Lorenzo.

Judges: Segundo Sarriá Carbajo, Carlos Alcántara Peráz, Karina Sánchez Alarcon, Ricardo Nuñez Espinoza, Arturo Vilchez Requejo, Jose Ríos Olson.

Source: Bresani (2003) and author calculations. The list of the others involved come from Bresani (2003) and has been confirmed by several journalistic reports.

Note: The data in the first column of bribes are from Bresani (2003). The second column of bribe data is from a set of receipts like those in Figure 1 that we collected from journalistic sources in Peru. From the information available, the frequency of these payments is unclear. It is probable that the data in Bresani (2003) aggregate the receipts, but Bresani gives no reference for these data.

Table 4
Media Capture

TV channels	*Bribe estimates*
America Television (Channel 4) Jose Francisco Crousillat	US$9,000,000 in a signed contract for US$1,500,000 per month from November 1999 to April 2000, possibly more (C) US$619,000 in October 1998, promised more monthly payments (C) (BH)
Frequencia Latina (Channel 2) Samuel and Mendel Winter (owners after Baruch Ivcher exiled)	US$3,000,000 in a signed contract for US$500,000 per month from November 1999 to April 2000, possibly more (R) US$3,073,407 on December 1999 for an increase of capital that gave 27 percent of shares to Montesinos (R)
Panamericanan Television (Channel 5) Manuel Delgado Parker (brother of Genaro) and Ernest Schutz (shareholders)	US$9,000,000 contract agreed by Shutz and Montesinos on video 1783. In total Montesinos claims he handed $10,600,000 to Schutz (BH) US$350,000 handed by Montesinos to Shutz, video screened by congress on October 2, 2001 (BH)
Cable Canal De Noticias CCN (Cable Channel Network) Vicente Silva Checa (Video 1778)	US$2,000,000 for his shares in the CCN to the Ministry of Defense in November 1999 (C)
Andina de Televisión (*ATV*) (Channel 9) Julio Vera	US$50,000 to fire Cecilia Valenzuela and Luis Iberico (C)
Red Global (Channel 13) *Genaro* Delgado Parker (brother of Manuel)	In exchange business help and judicial favors, Delgado Parker fired popular commentator Cesar Hidelbrandt (C)
Print media	*Bribe estimates*
Expreso (mainstream newspaper) Eduardo Calmell del Solar (director and stockholder)	US$1,000,000 in two installments, to buy shares in the newspaper (C) and videos 1492, 1736, 1753 US$1,500,000 between 1998 and 2000 (C)
El Tío, (Chicha/popular press) Jose Olaya Correa (owner and director)	US$3,000–US$4,000 per headline, US$5,000 for full coverage inside, US$500 for smaller stories (C)
La Chuchi (Chicha/popular press) Oliveri and Estenos (owners)	US$8,000 weekly, same press house as El Mañanero, Editora Americana (B)
El Chato, Rafael Document (founder) and Ruben Gamarra (director) out	US$1,000 each time it comes, small circulation, only comes out two to three days a week (B)
Media not captured	Newspapers: *La República* and *El Comercio* Magazine: *Caretas* Cable News TV Channel: *Canal N* (owned by El Comercio)
State-owned media	Newspaper: *El Peruano* TV Channel: *Televisión Nacional Peruana* Radio Station: *Radio Nacional*

Sources: (B) Bresani (2003), (BH) Bowen and Holligan (2003), (C) Conaghan (2002), (R) *La República,* February 24, 2001.

5, 9 and 13, and a cable service, CCN, were bought off. One television channel alone was not bribed: the other cable outlet Channel N. Its monthly fee put it outside the budget of most Peruvians, however, and its subscribers numbered only in the tens of thousands (Bowen and Holligan, 2003, pp. 332–337).

Channel 4, with the largest viewership, got US$1.5 million per month in bribes. Channel 2 received US$500,000 per month, and Channel 5 a similar sum. The other two channels, with smaller viewerships, received payoffs via share purchases and other business deals and judicial favors.

The television owners signed written contracts. In the contract between Montesinos and Channel 2, for example, Montesinos purchases full control over news broadcasts for a monthly payment of US$500,000.[15] The contract has the form of a legal document. Montesinos, who held the sole copy, is not named, but just called "the Contractor." The contract adds that this "does not however nullify the legal value of this document." At the start of each month, Montesinos is to pay Channel 2 its half-million dollars. At the same time, the channel is to give him a letter of credit equal to this amount, which he will destroy after the channel fulfils its duties. If he is late with a payment, he incurs a penalty of 1 percent per day, rising to 5 percent after seven days. If the channel ever fails to act as agreed, Montesinos may resolve the matter without the channel "having any right to complain in any way." Montesinos's contractual duties include, "To do whatever else is necessary." The channel agrees to allow Montesinos to review each day's news programs before they air and not to broadcast anything about presidential or congressional candidates, or any program referring "explicitly or implicitly to political issues," without Montesinos's written approval.

How much did Montesinos pay in total? The cost of bribing the politicians to get a majority in Congress added up to less than US$300,000 per month. The total cost of bribing judges (at a guess, because we do not have complete data for judges) was US$250,000 per month.[16] The total cost of bribing the television channels was more than US$3 million per month. Television was the priciest of the checks by an order of magnitude.

Montesinos's Control

The videos show Montesinos boasting of his control of the media (and even exaggerating the amount he was paying). "Each channel takes $2 million monthly, but it is the only way. That is why we have won, because we have sacrificed in this way." Talking to some associates about the television owners, he said, "We have

[15] The full contract in English translation is at ⟨http://faculty-gsb.stanford.edu/mcmillan/personal_page/articles.html⟩. The original is in *La República*, February 24, 2001.

[16] The judges' total is arrived at as follows: Adding the monthly totals from the last column of Table 3, we get about US$100,000. We lack data for 11 other Supreme Court judges and 15 ordinary judges who (according to Bresani, 2003) were bribed. If we assume the missing Supreme Court judges got the about same bribes as those for whom we have data and the ordinary judges got US$3,000 a month (probably an overestimate), the total rises to about US$250,000.

made them sign on paper and all. Now we are playing with something very serious. They are all lined up. Every day at 12:30 pm I have a meeting with them. . .and we plan what is going to be aired in the evening news." He told one of the television owners that he carefully monitored the news broadcasts 24 hours a day. "I measure the time and I monitor the characters and at the end I summarize the day: how much they devoted to this activity, how much to that, how much in favor, how much against." He even offered one of the television channels a team of *SIN* agents who could work for it as an "investigative unit."[17] Montesinos devoted considerable resources to controlling the media, his own time and *SIN* manpower, providing further evidence of how important he saw the media to be.

The cash payments underestimate Montesinos's bribes, for he channeled extra money to the newspapers and television by means of government advertising. The state became Peru's biggest advertiser, with spending increasing by 52 percent from 1997 to 1999. Also, in 1999, the government permitted media outlets with outstanding taxes to work off their tax obligations by carrying free advertisements for the government health agency. In addition, companies with which Montesinos had side deals were asked to advertise in particular media outlets as a way of supporting Fujimori's reelection (Bresani, 2003; Degregori, 2000; Schmidt, 2001).

Cash was not all that Montesinos used to sway people. Favors were common: promotions, judicial string-pulling, support in election campaigns and congressional votes (Moreno Ocampo, 2003). Sometimes what was exchanged was a mere promise of undefined future favors. After agreeing to a request from a television-channel owner, for example, Montesinos said, "You give me the difficult tasks." His interlocutor replied, "But, of course, in return I am at your disposal for anything you like."

The television channels received various favors. Montesinos helped Channel 5 maneuver a difficult lawsuit by interceding with the judiciary. To support the owner of the cable channel CCN, he arranged the purchase of shares in his company by the military police pension fund. He arranged a complex deal involving Channel 2, Channel 4 and Peru's second-largest bank, Wiese Sudameris Bank. The two channels owed the bank about US$13 million. Montesinos persuaded the bank's managing director to refinance their debts. In return, he resolved a tax problem for the banker.[18]

Judges and politicians also got noncash bribes, such as a car or a house. A judge on the National Elections Board, Rómulo Muñoz Arce, negotiated jobs for his wife and son as well as payment for his daughter's education in the United States. Montesinos threw in a first-class airfare for her, exclaiming, when the judge remarked on this, "First class? Of course I wouldn't send her coach!"[19]

The military were under Montesinos's control. He had charge of promotions and so was able to use promotion as a cashless form of bribery. He made sure that

[17] Quotes from Video 1792, November 26, 1999 (Jochamowitz, 2002, p. 17); Audio 1736, September 14, 1999; Videos 1677-79 August 25, 1999 (Jochamowitz, 2002, p. 49); and Audio B-139, undated.
[18] Audio 896, January 20, 1998, and Video 1790, November 10, 1999.
[19] Video 1318, November 11, 1998.

only those loyal to him reached the top ranks. According to Daniel Mora, a general whom he forced into early retirement, he "promoted not the brightest and the best, but the mediocre and the weak." By 2000, Montesinos appointees held all 17 of the top military posts. Of these, 13 had been his classmates as cadets in Peru's military academy, one was a close associate from the *SIN,* and one was his brother-in-law. "With the armed forces we are doing great," he told a banker in 1999. "Now their morale is high, you see, our team is consolidated."[20]

Montesinos exerted control not only by bribery, but sometimes by blackmail. He would obtain video proof of sexual indiscretions and use these tapes for persuasion. Some were filmed in a brothel where *SIN* agents had installed hidden cameras. Military officers were reportedly among those he blackmailed in this way.[21] (After he was imprisoned, the judges handed dozens of these videos over to the Roman Catholic Church, to be returned to those featured in them.)

Montesinos did not control everything. The one unbribed television channel, the small cable outlet Channel N, continued to offer independent investigative journalism. As it turned out, it was on this channel that the Kouri videotape that brought everything down was first aired. Some newspapers like *La República* and *El Comercio* and some magazines like *Caretas* courageously continued to criticize the government despite being harassed, reporting for example on abuses in the lead-up to the 2000 election. The harassment ranged from libel suits to arbitrary detention to death threats. In an attempt to discredit any journalists who dared investigate the government, the tabloids carried hundreds of stories defaming them with bizarre labels: "a mental midget," "a she devil," "undercover terrorist," "paid coup provocateur." A headline in *El Chino* proclaimed three journalists "the rabid animals of the anti-Peruvian press."[22]

While the tabloids read by the majority of Peruvians were mostly under Montesinos's control, it was the more educated and affluent Peruvians who read the independent newspapers and magazines. Montesinos seems to have decided these outlets were not influential enough to be worth bribing. A *vladivideo* shows him saying he was unconcerned. "What do I care about *El Comercio*? They have an 80,000 print run. 80,000 newspapers is shit. What worries me is Channel 4. . . .It reaches 2 million people. . . .*La República* can do whatever they want. What is a 20,000 print run?" Also, the owners of *El Comercio* may have placed so high a value on their reputation as to be incorruptible. Unlike some of the other news outlets, *El Comercio* was in sound financial health. Founded in 1839, it had been controlled since 1898 by one family, the Miró Quesadas. A Montesinos crony once joked: "You want a paper like *El Comercio*? I will make you *El Comercio*. You give me the money

[20] Jane Holligan, "Will the Army Upset a Delicate Balance in Peru?" *Business Week,* November 3, 2000; Rospigliosi (2000); Video 1583, June 22, 1999 (Jochamowitz, 2002, p. 149).
[21] Roger Scrutton, "Peru Bishops to Get Custody of 'Intimate' Spy Tapes," Reuters, February 21, 2001.
[22] On harassment of journalists: Conaghan (2002, p. 116), Schmidt (2001, pp. 2–3). On tabloid slanders: Jorge Salazar Cussiánovich, "The 'Devils' of the Peruvian Press," *Pulso del Periodismo,* September 12, 1999, ⟨http://www.pulso.org/English/Archives/Devils%20of%20Peruvian%20Press.htm⟩.

and you give me 125 years."[23] *El Comercio* owned Channel N, the television channel that Montesinos left unbribed.

As a last resort, Montesinos had the option of silencing a television channel if it refused to fall into line. He did it once, and the episode is revealing. The second-largest channel, Frecuencia Latina, or Channel 2, was majority owned by Baruch Ivcher, a naturalized Peruvian citizen of Israeli origin. After initially being loyal to the government, in 1997, the channel began broadcasting investigative reports: one on *SIN* agents being tortured for talking about *SIN* to the press; another on Montesinos's tax returns, showing his income far exceeded his government salary. In retaliation, the Interior Ministry stripped Ivcher of his citizenship. As a noncitizen he was not permitted, by law, to own a television channel. A tame judge assigned the channel's ownership to minority shareholders beholden to Montesinos. Thereafter, Frecuencia Latina broadcast Fujimori propaganda. Ivcher later told a reporter that, six months before being stripped of his citizenship, he had been offered and declined a US$19 million bribe, in return for which the government would have had veto over the content of news programs.[24]

The Ivcher episode shows the severity with which Montesinos punished defection. Ivcher lost his citizenship, his company and much of his wealth. The episode shows, also, that retribution was costly to the government. Ivcher's harassment prompted noisy demonstrations in Lima. The Peruvian Bishop's Conference denounced Ivcher's citizenship revocation as "illegal and dangerous." Overseas, as well, there was fallout. The U.S. House of Representatives, citing the Ivcher case, issued a resolution condemning Peru's interference with the freedom of the press. The Inter-American Court of Human Rights held a hearing on the Ivcher case, after which Fujimori withdrew Peru from the court's jurisdiction. Fujimori bore some costs to silence a television channel, and thus the television channels had bargaining power.

Why Television?

The institutions of democracy form a system of incentives, shaping and constraining the government's behavior. Most analyses of the checks and balances examine them separately: elections (Maskin and Tirole, 2004), political parties (Persson, Roland and Tabellini, 1997), the judiciary (La Porta, Lopez-de-Silanes, Pop-Eleches and Shleifer, 2004) and the news media (Besley and Prat, 2001; Djankov et al., 2003). The parts of the system interact, however. A pair of governance mechanisms may be complementary, in the sense that one works better when the other is in place, or strengthening one increases the marginal effectiveness of the other (Milgrom and Roberts, 1990). Opposition politicians are more potent, for example, the freer the press. The checks and balances reinforce each other.

[23] Video 1318, November 11, 1998, and Videos 1459 and 1460, April 7, 1999.
[24] Tyler Bridges, "Peruvian Broadcaster Returns from Exile, Fights for TV Station," *Miami Herald*, March 30, 2002.

Conversely, the absence of one check impairs the others. Without judicial independence, the media are weakened. For example, a compliant judge aided the clampdown on the media when he ratified the expropriation of Ivcher's television channel. Without judicial independence, also, political competition is enfeebled. For example, the judges on the National Elections Board overrode the constitution to allow Fujimori to stand for a third term. Without political competition, judicial independence is at risk. For example, upon suspending Congress in the 1992 self-coup, Fujimori was able to gain control over the judges. With the news media compromised, political competition is enfeebled. A *vladivideo* shows Montesinos speaking of a press conference of opposition presidential candidate Alberto Andrade: "No television channel aired the press conference. It never existed."

This chain of complementarities means that checks and balances form a package. If one is weak, all are weak. In this sense, each of the checks is vital. Nevertheless, the bribes differed, the news media, and in particular television, being the most expensive check to undermine. In this sense, television was the crucial constraint.

The newspapers' bribes, while higher than those of judges and politicians, were lower than television's. Why was Montesinos less concerned about the print media than television? The difference is in their reach. Television is where most Peruvians get their news. Television aerials sprout from the poorest of Lima's shanty towns, with 95 percent of Lima households owning a television set. The largest-selling newspapers, by contrast, were the serious *El Comercio*, with a readership of some 600,000, and the sensationalist *Ojo*, with 300,000 (Schmidt, 2001, p. 13). These readers were a small fraction of broadcast-television viewership, which included most of Peru's 28 million people.

Why were the television owners more expensive to bribe than the politicians and judges? A straightforward explanation is simply that they were richer. The judges' bribes were one-and-a-half times to four times their official salaries. The politicians' bribes were multiples of their official income. By contrast, a few thousand dollars a month may not have impressed a wealthy television-channel owner. However, this does not seem to be the complete explanation. The television channels (which were privately owned and closely held) were heavily indebted, and this is said to be the reason their owners were ready to accept Montesinos's bribes (Conaghan, 2002). Had they been more financially secure, they may have been even harder to bribe.

The explanation for why television is different must go deeper. We offer two complementary explanations. First, a television channel has holdup power in a way that a politician or a judge does not. Second, television is part of a constraining mechanism that is more fundamental than the politicians or the judiciary.

To form a winning coalition in the Congress, Montesinos had to bribe only some of the opposition politicians. The Congress has 120 members. In 2000, Fujimori's party *Perú* 2000 won 51 seats. Fujimori thus needed ten more votes for a bare majority. Montesinos bribed twelve congressmen to change parties and join Fujimori's, so he had two more than the minimum he needed for a majority. He did not stop there, however. He bought five more congressmen, but asked them not to

switch but instead to remain in their own parties and act as his secret informants. Montesinos had calculated, evidently, that he needed to buy only 17 of the 69 opposition congressmen.

Similarly, Montesinos had to bribe only some of the judges. In 1995, Fujimori had enacted what he called judicial "reform," which reduced judicial independence by setting up "provisional" judges, who could be dismissed by the government. By 1997, 73 percent of the judiciary had been shifted to provisional status (Hernández Breña, 2003). The lack of secure tenure made these judges susceptible to pressure. In the lower courts, Montesinos had some power to allocate judges to cases, so he could assign a friendly judge to a sensitive case (García Calderón, 2001, p. 49; World Bank, 2001, paragraph 8-22). In the Supreme Court, decisions are made by majority vote, so three of the five Supreme Court judges were enough.

Why did the remaining honest judges not expose the corrupt ones? Again, it comes down to the interlinkages among the checks and balances. With the news media captured, it would have been difficult for the honest judges to get a hearing, and Montesinos could have slandered the whistleblowers so as to discredit them.

Given that the supply of corruptible politicians and judges exceeded Montesinos's limited demand, then, the politicians and judges had little bargaining power, so their price, as the data show, was relatively low. With television, by contrast, Montesinos had to bribe *all* of the widely watched channels. If he had succeeded in bribing all bar one, that renegade channel, by broadcasting unfavorable stories, could harm him unilaterally (Besley and Prat, 2004). Each television channel had holdup power, regardless of how many of them he had bought already.

The bargaining game of Stole and Zwiebel (1996) applies here. The equilibrium of this game has Montesinos buying a few more politicians than the minimum he needs, since having extra politicians on hand means no individual's vote could be pivotal (Groseclose and Snyder, 1996). As noted, Montesinos did in fact bribe two more congressmen than he needed for a majority. With judges, the story is the same. Montesinos pays the politicians and judges just a little more than their fallback, the value they attach to their compromised integrity. The news outlets, in contrast, individually have holdup power, so Montesinos must offer a sizeable portion of the surplus (the value he attaches to control minus the judges' and politicians' bribes) to the news media.

A second, distinct reason why television's bribes were high, in addition to holdup power, is that the size of a bribe reflected Montesinos's perception of how much was at stake. This was highest with television.

The ultimate constraint on any democratic government is not an independent judiciary or opposition politicians or the constitution. It is the citizenry as a whole. The citizens have a stake in ensuring that the government maintains the institutions of democracy. If a large number are able to react after the government violates the rules, they effectively pre-empt such violations. The citizens' credible threat to depose the government makes the constitution self-enforcing. As Weingast (1997) points out, however, they face a coordination problem in establishing the rule of law. They are effective in concert, not alone. As in any coordination game, any one

citizen's best action depends on what that citizen believes the others will do. It pays any one citizen to react to the government's violation only if that citizen expects that many others will react too. Although in Weingast's analysis the coordination problem is exacerbated by differences in interests among the citizens, a prior source of coordination difficulties is a lack of information.

If our hypothetical citizen realizes the others are unaware of the government's transgression, it will not be in the interest of the individual to act alone. Merely not knowing whether the others know—a lack of common knowledge—is enough to foil coordinated action. By informing everyone about the government's violation of the rules, and informing everyone that everyone knows, television helps solve the citizens' coordination problem. Broadcast over television, the transgression becomes common knowledge.

This logic harks back to the view of philosopher Alexander Meiklejohn (1960) that, in the separation-of-powers scheme, the citizens play a crucial role. The First Amendment to the U.S. Constitution, which juxtaposes the freedom of the press and of assembly, is a statement not of individual rights but of self-government by an informed citizenry. Its purpose is that "whatever truth may become available shall be placed at the disposal of all the citizens of the community" (p. 75). In a democracy, "it is not enough that the truth is known by someone else. . . .The voters must have it, all of them."

The difference between the news media and the other checks and balances, then, is that the media, informing the citizenry, can help bring forth the ultimate sanction of citizen reactions. There would be little to prevent the government from buying off politicians and judges in the absence of the citizens' oversight. Opposition politics and the judiciary rely on the news media, therefore, whereas the media can be effective even if the other checks and balances have broken down.

"If we do not control the television we do not do anything," said a Montesinos crony at a 1999 meeting involving Montesinos, some generals, and some television executives.[25] He did not say this of the judiciary or the Congress. Our argument that the checks differ in their effectiveness, while being complementary to each other, can be summarized as follows. Since politicians and judges are symmetric in our story, for simplicity let us omit the politicians. Montesinos has a value of control, $V(M, J)$. Here M equals either one or zero, meaning he does, or does not, control the media, and J equals either one or zero, meaning he does, or does not, control the judiciary. The two checks are complementary if the value of securing both the judiciary and the media exceeds the sum of the values of securing each of them separately, or $V(1, 1) > V(1, 0) + V(0, 1)$. With all-or-nothing complementarity, $V(1, 1) > 0$ and $V(1, 0) = 0 = V(0, 1)$. The less extreme pattern we are arguing for here, by contrast, has $V(1, 1) > V(1, 0) > 0$ and $V(0, 1) = 0$, meaning Montesinos gets some value out of controlling the media alone and extra from controlling the judiciary in addition to the media; but if he does not control the

[25] Said by General Elesván Bello. Video 1792, November 26, 1999 (Jochamowitz, 2002, p. 17).

media, all is lost. This is the sense in which we can say that, while the checks and balances are interdependent, the media are the crucial check.

Fujimori's Fall

Demonstrating its power, it was television that finally toppled Fujimori, with the help of honest politicians and a disgruntled insider. Two opposition congressmen, Luis Iberico and Fernando Olivera, obtained the videotape of Montesinos bribing congressman Kouri, the tape having been purloined from Montesinos's office by Matilde Pinchi Pinchi, his trusted bookkeeper (and mistress). On September 14, 2000, Olivera showed it at a press conference in a Lima hotel. According to a reconstruction of the events by Bowen and Holligan (2003, pp. 389–394), Montesinos's reaction was to threaten the television owners. "Play this down," he ordered. "If I am screwed, then so are all of you." He told Fujimori to be patient: "After all, we have the press under control." However, the sole unbought television channel, the cable outlet Channel N, began showing the video over and over. Panicking, Fujimori threatened to fire Montesinos, who responded with a threat. Referring to his collection of videotapes, he said, "If necessary, I can set the prairie on fire."

Despite Montesinos's intimidation, the other television channels started broadcasting the Kouri videotape. What induced them to break ranks? Perhaps they reasoned that they could not ignore the tape, because so many had watched it on Channel N or heard about it. (Activists had set up large-screen televisions in the streets showing Channel N for the benefit of nonsubscribers.) Also, Kouri went on television to deny he was corrupt, claiming the US$15,000 was a personal loan from the secret-police chief, which in its sheer implausibility may have further spread the news. The regime imploded.

Why did Montesinos neglect to bribe the channel that was to bring him down, Channel N? He may have wanted to but been unable to: its owners, as noted, placed a high value on their reputation. Also, he may have miscalculated, reckoning that, as a relatively expensive cable channel with only tens of thousands of subscribers, it was harmless. The press conference that he remarked "never existed" aired on Channel N.

Although the Kouri videotape was enough to destroy Fujimori, governments elsewhere have survived similar revelations. In the 1990s, Russians had ample evidence of widespread corruption, but did not depose their government. In Ukraine under President Leonid Kuchma, there arose a situation strikingly alike Peru's. The state apparatus amassed information on businesspeople, judges and politicians. In the postcommunist era, some had become rich via dubious privatizations, others were taking bribes or evading taxes. Kuchma used the threat of prosecution as a lever, exercising control by blackmail. Without Kuchma's knowledge, one of his bodyguards audiotaped his office conversations, and in 2000, an opposition politician released the tapes. Kuchma can be heard ordering officials to harass opposition politicians and activists and to manipulate the voting in the

presidential election. A journalist who was investigating government corruption, Georgy Gongadze, is discussed in the tapes. On one, a voice says, "I'm telling you, drive him out, throw him out. Give him to the Chechens," and on a later tape, "That Gongadze, goodbye, good riddance."[26] Gongadze's decaying corpse was found in a forest, beheaded. After transcripts of the tapes were posted on the Internet (the newspapers and television being under Kuchma's control), thousands of demonstrators thronged the streets. Kuchma was able to wait out the protests, however, and his rule continued unchecked.

Media publicity of government misdeeds may not be decisive, then. Why was it so potent in Peru? Common knowledge of corruption may set the scene for the government to be overthrown, as we have argued, but it is not sufficient. Exposure does not ensure the citizens will rise up in large enough numbers. Their coordination problem remains (Weingast, 1997), and additional factors must be present for it to be overcome.

By the time the *vladivideos* were broadcast, the government had already been weakened. The economy, the basis of Fujimori's claim to legitimacy, was underperforming. From 1998 to 2000, economic growth averaged just 1.2 percent. Fujimori's third presidential election, held a few months before, had been so blatantly rigged that it had galvanized the opposition and sparked street demonstrations.

The nature of the videotapes was a further factor. Peruvians had long suspected their government was crooked. Charges of corruption had been made before in the independent newspapers. With allegations made in print, however, people found it hard to figure out the truth. Montesinos would muddy the waters, denying the accusations and making counteraccusations. The videotapes, by contrast, were indisputable proof. Seeing a bribe actually being paid is more convincing than being told about it. It is not merely that a picture is worth a thousand words; it is that the picture conveys information that words cannot. (To underscore this point: imagine yourself reading a newspaper account of a corrupt incident, then look back at Figure 1.)

While governments are not always brought down after being exposed as corrupt, Montesinos's respect for the power of the news media, as evidenced by the size of his bribes, was well founded.

The Montesinos Virus

Peru's checks and balances, put in suspension by the Fujimori administration, ultimately did their job. The government was toppled by a popular uprising, provoked by the broadcast of the incriminating tape obtained by opposition politicians. Fujimori and Montesinos were then indicted by the Lima prosecutor.

Measured by the bribes Montesinos paid, the news media, and in particular television, put far a stronger constraint on the government than the legislature or the judiciary. Television is the most expensive of the checks and balances to undercut for

[26] The quoted transcripts are at ⟨http://www.ukar.org/kyivpo03.html⟩. See Arel (2001) and Darden (2001).

two reasons. Television owners have more bargaining power than judges and politicians. Also, the other checks and balances obtain their force mainly via the threat of exposure to the citizens, and television gives the widest exposure.

Ordinary Peruvians were the target of Montesinos's propaganda. According to his own statements in the *vladivideos,* he saw television, with millions of viewers, as more of a threat than the newspapers, with tens of thousands of readers. He micromanaged the contents of the tabloid newspapers read by the uneducated, but was unconcerned, he said, about what was written in the broadsheet newspapers read by the educated. It was not the elite whom Montesinos feared, but the masses.

Numerous countries suffer from "the Montesinos virus," according to the Polish journalist and former democracy activist Adam Michnik (2000), which he says is "a newly discovered cancerous disease found most commonly in contemporary democratic states." In countries like Russia under Vladimir Putin, Zimbabwe under Robert Mugabe, Malaysia under Mahathir Mohamed, Haiti under Jean-Bertrand Aristide and elsewhere, elections are held but a ruling party holds control. Cross-country regressions show that countries lacking a free press tend to have high corruption (Adserà, Boix and Payne, 2003; Ahrend, 2002; Brunetti and Weber, 2003). Our finding may apply, therefore, not only to 1990s Peru but also to nascent democracies elsewhere.

The news media are the chief watchdog. The checks and balances work as a system, so an independent judiciary and genuine political competition are important. But the media can provide oversight of the government even where the other checks and balances have broken down. Safeguards for the media—ensuring they are protected from political influence and are credible to the public—may be the crucial policies for shoring up democracy.

■ *For comments and discussions, we thank Jonathan Bendor, Beatriz Boza, Gerhard Casper, Enrique Chavez, Peter Gourevitch, Stephen Haber, Matthew Kahn, Stephen Krasner, Phillip Leslie, David McKenzie, Luis Moreno Ocampo, Olena Prytula, John Roberts, Jose Ugaz, Barry Weingast and Christopher Woodruff, as well as editors James Hines, Andrei Shleifer, Timothy Taylor and Michael Waldman. Productive research assistance was provided by Teresita Pérez. We acknowledge support from the Center for Global Business and the Economy at the Stanford Graduate School of Business, the Center for Democracy, Development, and the Rule of Law at the Stanford Institute for International Studies and a John M. Olin Program in Law and Economics Summer Research Fellowship to Zoido.*

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