

FREE UNIVERSITY AMSTERDAM
FACULTY OF ECONOMICS
Department of Development
and Agricultural Economics

THE TRANSITION STRATEGY OF NICARAGUA

edited by Ruerd Ruben

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WORKING PAPERS and REPORTS
of the seminar "the transition
strategy of Nicaragua" .
Amsterdam , Free University
26th of February, 1982



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- 9.00 - 9.30
- Opening of the seminar
 - Introduction to the seminar
 - Introduction of the participants
- 9.30 - 10.30
1. Social Class structure and the Politics of Transition in Nicaragua
- Themes for discussion :
- historical development of the mode of production in Nicaragua and the emerging class structure (see : J.Wheelock, "Imperialismo y Dictadura", Mexico 1975)
 - the seizure of power and the politics of the socialist transition (paper K.W.J.Post)
 - composition of the political alliance underlying the Nicaraguan Revolution (see: C.D.Deere & P.Marchetti, 'The worker-peasant alliance in the first year of the Nicaraguan agrarian reform' in: Latin American Perspectives, Vol VIII, Spring 1981)
 - the concept of transition in the Nicaraguan case.
- 10.30 - 12.00
2. The political economy of the transition strategy in Nicaragua
- Themes for discussion :
- economic problems in the analysis of transition in Nicaragua (paper E.V.K. FitzGerald).
 - strategic aspects of accumulation and the medium-term investment plan (G.Irwin, some notes will be distributed during the seminar)
 - transfer mechanisms and the political alliance (paper R.Ruben).
 - the role of the state in the transition strategy (see: J.Petras, 'Nicaragua: the transition to a new society' in: Latin American Perspectives, Spring 1981)
 - transition towards independence and the foreign trade strategy (see: S.Barracough, 'the food systems approach: the case of Nicaragua', UNRISD Geneva 1981)
- 12.00 - 13.00
- Lunch in the FU-restaurant
- 13.00 - 14.30
3. Agrarian transition and the role of the agricultural sector in the Nicaraguan transition strategy
- Themes for discussion :
- Nicaraguan agrarian reform : constraints and policy options (paper J.P. de Groot)
 - the role of the peasant sector in the transition strategy (paper K.Blokkland)
 - credit policy for small farmers (paper J.Algra & L.Clarck)
 - agrarian policy in Nicaragua (see: C.D.Deere, 'the Nicaraguan agrarian policy: 1979-1981 in: Cambridge Journal of Economics 1981 ; D.Kaimowitz & J.Thone, 'the first year of the Nicaraguan agrarian reform', LTC-paper no 122)
- 14.30 - 15.00
- Conclusions and continuation
- contacts with and organization of contributions to Nicaraguan research institutes .
 - organization of a permanent working group on transition strategies in Central America.

NICARAGUA - Seminar

- Amsterdam , 26th of February 1982

'The transition strategy of Nicaragua'

L I S T O F P A R T I C I P A N T S

Chairman : Prof. dr. H. Linnemann

Special Guests : representatives of the Nicaraguan Embassy

G.Murillo, 255 Chaussée de Vleergat ,1050 Bruxelles, T. 3749035 (ambassa-
dor)

N.Miranda ,86 Rue de la Fauvette, 1180 Bruxelles, T. 3749035

H.Estrada, Wattstraat 19, Den Haag, T. 070-603022 (Chargé d'Affaires)

Participants by institutions :

E.V.K. FitzGerald, Badhuisweg 251, Den Haag, T. 070-572201 (ISS)

K.W.J.Post, Badhuisweg 251, Den Haag, T. 070-572201 (ISS)

M. van Bunningen, Waalstraat 122, Amsterdam, T. 020-429567 (DPO/IO)

K.Blokland, Woubruggestraat 4hs, Amsterdam, T. 020-176416 (IMWOO)

E.J.Hertogs, Rode Kruislaan 873, Diemen, T. 020-906185 (CEDLA)

H.Swivas, H. de Keyserkwartier 86, Bilthoven, T. 030-780165 (CEDLA-UvA)

G.Dijkstra, Noorderbinnensingel 60, Groningen, T. 050-120361 (RUG)

A. van Huis, Langhoven 25, Bennekom, T. 08389-7942 (LHW)

C.W.M. de Ranitz, Stadsbrink 389, Wageningen, T. 08370-84203 (LHW)

T. van Toor, Coehoornstraat 93, Nijmegen, T. 080-515786 (DWC-KUN)

T. van Hees, Goysebandijk 74, Uoij(Ubb.), T. 080-515786 (DWC-KUN)

T.Groosman, Hogeschoollaan 225, Tilburg, T. 013-662576 (IVO-KHT)

T.Korremans, Hogeschoollaan 225, Tilburg, T. 013-662105 (IVO-KHT)

A.Fernandez Gilberto ,Liendenhof 106, Amsterdam , T. 970752 (UvA)

A.Vervuurt, Postbus 5, Delft, T. 015-787000 (Foreign Relations THD)

L.Clercx, van Musschenbroekstraat 58, Utrecht, T. 030-719497 (RUU)

J.Algra, Gisbert Bromlaan 50, Utrecht, T. 030-715791 (RUU)

H. van der Horst, Badhuisweg 251, Den Haag, T. 070-574201 (NUFFIC)

H.Linnemann, de Boelelaan 1105, Amsterdam, T. 020-5485494 (VU,Econ.Fac.)

J.P. de Groot, de Boelelaan 1105, Amsterdam, T. 020-5485495 (VU,Econ.Fac.)

R.Ruben, de Boelelaan 1105, Amsterdam , T. 020-5485495 (VU,Econ.Fac.)

H.Weijland, de Boelelaan 1105, Amsterdam, T. 020-5484630 (VU,Econ.Fac.)

J.J.Theunissen, Ms. Ambulant, Amsteldijk t/o no. 18, Amsterdam (TNI)

F.Ruhwandl, Bloemgracht 160'', Amsterdam, T. 020-238415 (Nic. Ktee A'dam)

W.Jillings, Graafseweg 173, Nijmegen, T. 080-772785 (Nic. Ktee Nederland)

A.Loenen, Voorstadsiaan 211, Nijmegen, T. 080-779717 (Nic. Ktee Nijmegen)

P.Buvollen, 1ste Boerhavestraat 30, Amsterdam (Nic. Ktee Amsterdam)

R. Saab, Badhuisweg 251, Den Haag, T. 070-572201 (Nic. Student ISS)
G. van Westrienen, Kanaalstraat 131^{III}, Amsterdam, T. 020-838497 (student as-
sistant VU)
W. Eijkman, Bilderdijkpark 7^{IV}, Amsterdam, T. 020-186312 (VU working group)
A. Klap, Rustenburgerstraat 417^{II}, Amsterdam, T. 020-761743 (idem)
R. Kuil, Overtoom 5^{IV}, Amsterdam (idem)
M. Blom, Europalaan 263, Tilburg, T. 013-633366 (KHT working group)
G. Haan, Europalaan 523, Tilburg, T. 013-633672 (idem)
R. v.d. Bogart, Cederstraat 75, Tilburg, T. 013-635512 (idem)
K. Koonings, Predikherenstraat 3bis, Utrecht, T. 030-322049 (KOSES/RUU)

..--..--..

List of institutions involved :

Institute of Social Studies (ISS), Badhuisweg 251, Den Haag, T. 070-572201
IMWOO, Badhuisweg 251, Den Haag, T. 070-574201
RUG, Faculty of Economics
RUU, Institute for Cultural Anthropology, departm. of comparative
socioeconomic studies (COSES), Heidelberglaan 2, Utrecht, ..
KUN, Third World Centre, Coehoornstraat 93, Nijmegen, T. 080-513085
CEDLA, Keizersgracht 395-397, Amsterdam,
IVO, Hogeschoollaan 225, Tilburg, T. 013-662576
VU, Faculty of Economics, de Boelelaan 1105, Amsterdam, T. 020-5485495
LHW, off. for Foreign Relations, Stadsbrink 389, Wageningen, T. 08370-8420:
NUFFIC, Badhuisweg 251, Den Haag, T. 070-574201

INTRODUCTION

AFTER THE NICARAGUAN REVOLUTION THE STRUGGLE CONTINUES

Introduction; After the Nicaraguan Revolution the struggle continues

At this moment the Nicaraguan Revolution is nearly three years old. After July 1979 the new Sandinist Government initiated an impressive programme for the reconstruction and structural transformation of the economy and the society.

This so-called 'transition strategy' is being broadly discussed within Nicaragua. It is a major theme in underdeveloped countries that started since the Russian Revolution¹⁾ a socialist development strategy, but it has to be reformulated for the specific economical, political and social circumstances of the Nicaraguan society.

In the Netherlands several independent working groups are executing research work connected with the economic transition policy of Nicaragua. Within Nicaragua several research institutes, devoted to these themes, have been constructed.

In order to keep contact between these activities on February 26th, 1982 the Department of Development and Agricultural Economics of the Free University, Amsterdam, organized a seminar around the transition strategy of Nicaragua. The organization of the seminar served a threefold purpose:

- a) to contribute to the scientific understanding of the specific features of the Nicaraguan transition strategy,
- b) to coordinate the research (and development cooperation) projects on Nicaragua in the Netherlands,
- c) to organize a joint contribution to the research work done in Nicaragua at the moment, with the intention of realizing mutual exchange of thought and - if possible - to deliver a contribution to the Nicaraguan revolutionary process.

The seminar was attended by some 40 participants, representatives of a number of Dutch universities and research institutes, students working groups and the national and local solidarity committees with the people of Nicaragua (see: list of participants). The Nicaraguan ambassador for the Benelux and the Nicaraguan representative for the Netherlands were present at the seminar as honorary guests.

¹⁾ See, C. Bettelheim, "Class struggle in the USSR", (vol. 1 & 2), Hassocks, 1978 (for a discussion on the Soviet-transition-strategy) and his more general analysis of transition in "the transition to a socialist economy", Hassocks, 1975.

A number of participants presented a working paper to the seminar with some propositions concerning their research work. These papers are included in this seminar folder. Other participants informed the seminar by means of a short notice about their current research progress (see: appendix, list of current research projects).

Because of the limited time available during the seminar, only some headlines of the Nicaraguan transition strategy could be discussed (see: programme). The discussions concentrated on three main subjects:

1. the social class structure and the Politics of Transition in Nicaragua.
2. the political economy of the transition strategy in Nicaragua.
3. agrarian transition and the role of the agricultural sector in the Nicaraguan transition strategy.

In this introduction we will give a short overview of the discussion papers presented to the seminar, and a summary of the most important points of controversy that emerged during the discussions. It is our intention to continue the joint research contribution and the interchange of views concerning the Nicaraguan transition strategy. In this respect, the seminar only laid the foundation for a future research and action programme in order to contribute to the prolonged struggle of the Nicaraguan people for independence, justice and equality.

The concept of transition in Nicaragua

The concept of transition concerns the question how a socialist society can be constructed in a country where the level of development of the productive forces (the objective conditions in classical Marxist theory) have not yet reached full maturity. In Marx's theory, the revolutionary overthrow of the capitalist social order is part of the materialist conception of the dialectics of historical change, in that sense that the forces of production are no longer compatible with the class relations in which they operate¹⁾. Because of the development of capitalism into imperialism, in underdeveloped countries the objective conditions no longer coincide with the level of development of class struggle (the subjective conditions). After the seizure of power by means of a revolutionary popular struggle, these countries have to pass through a process of

¹⁾ M.C. Howard & J.E. King, "The political economy of Marx", Thatford, 1975, Ch. 1 & 2.

'structural transformation' of the economic, as well as the social and political structures¹⁾.

In general terms transition refers to a complete change of the social formation, including the mode of production, the political superstructure and the ideology. In recent years, the German-French-Italian discussions on the role of the state threw more light on the question of the 'dominant sphere' in the transition to socialism in underdeveloped countries²⁾.

No longer only the economic substructure determines the beginning and the course of the transformation process, but the role of the superstructure (the so-called ideologic state-apparatus) gained influence. A backward economic reality can be compensated for by an advanced level of political organization and ideological formation.

By consequence, the transition process can no longer be analyzed as a mere one-directional mechanical process, but it has to be seen in the context of a transformation of the whole social formation. Also, the specific circumstances in different countries have to be taken into account in the analysis of transition (such as: the character of the liberation struggle, the economic structure of society and the emerging class struggle).

For the Nicaraguan transition process this development of theory means that besides several general elements of the transition strategy, also the specific dialectics of the Nicaraguan social formation should be analyzed.

The general element concerns the question of 'original (primitive) socialist accumulation', which means the initiation of an autonomous, national directed accumulation process in order to reach foreign independence, food self-sufficiency and a more balanced domestic economic (and distributional) structure.

More important for the Nicaraguan transition strategy are the specific conditions under which this process takes place. Major questions in this respect are: the composition of class structure, employment and distributional impact of the transformation of the relations of production, new

1) Reference can be made to socialist underdeveloped countries in transition, like Cuba, Vietnam, Angola, Mozambique, Zimbabwe, etc.

2) See for this discussion, the contributions of E. Altater, L. Althusser, N. Poulantzas, E. Laclau and A. Gramsci

organizational forms of production (APP, cooperatives), the role of the state, etc.

In the following paragraphs and in the seminar papers a number of these themes will be analyzed. Special attention will be paid to the dialectics of the transition process, originating from the economic, social and political structures of the peripheral capitalistic structure in Nicaragua.

In the first place, the question of the social class structure underlying the Nicaraguan Revolution will be discussed, in order to get a clear impression of the structural composition of the Nicaraguan society. In this respect especially the relations between the material basis and the social relations of production are important (the excessive articulation of the relations of production as class consequence of peripheral capitalist development). This analysis is extremely relevant with respect to the political position of the state after the revolution, the relation of the state vis-à-vis the different social classes and the class-implications of policy decisions. The basic question in this respect concerns the direction of the further development of the popular basis of the Sandinist regime and the influence of the so-called superstructure (the role of the state and the ideology) in this process.

In the second place, the economic strategy of transition will be discussed - especially the new dynamics of the accumulation process and the way in which the major economic problems of the economic transformation process in Nicaragua (technological dependence, trade dependence, industrial stagnation, dualist agricultural structure, foreign debt) can be handled. Most important in this section is the question how an economic transformation can be executed with a simultaneous modification of the social relations of production (ownership, labour relations, organizational forms of production) within the context of a planned mixed economic system. This appears to be a very difficult problem, for the very reason that the logic of the accumulation process in the pre-revolutionary economic system was founded on the prevalent articulation of social relations (overexploitation of the semi-proletariat; inflationary pressure on popular consumption).

In the third place, the role of the agricultural sector in the transition strategy will be analyzed. Within agriculture many of the general economic problems of transition are materialized. Because the agricultural sector performs a central role of the financing of the development process - both

in the Somoza period as well as in the post-revolutionary strategy - it is important to notice whether there exist margins for change in the 'logic' of the economic process. Land reform, agricultural policy and new organizational forms of agricultural production will be discussed in view of their influence on an integrated process of economic growth and income distribution.

The following introduction tries to integrate the before mentioned central elements of the Nicaraguan transition strategy. It is not intended to give a complete analysis of the Nicaraguan economic policy, but morely as an 'agenda' for future discussions and research. As such, it needs to be extended, since the Nicaraguan economic transition strategy reflects the dynamic nature of the Nicaraguan revolutionary process.

Social Class Structure and the Politics of transition in Nicaragua

The first part of the seminar dealt with the historical development of the mode of production in Nicaragua and the emerging class structure. In order to study the concept of transition in the Nicaraguan case, one has to deal with the material basis of the revolutionary alliance underlying the Nicaraguan revolutionary process.

The contribution of Ken Post¹⁾ focusses on the composition of the revolutionary block in Nicaragua and the 'politics of transition' (which can be defined as the process of production and transformation of class power). His major proposition is, that because of the relative late chrystallization of the revolutionary block in Nicaragua, the Frente Sandinista has a rather generalized and diffused ideological position and political composition.

The historical development of peripheral capitalism ('intermediate integration') causes a diversity of modes of production ('hybridization') and consequently a very complex structure of class positions and social groups not definable as classes (women, youth, ethnic groups). The peripheral incorporation in the world capitalist system and the enforced position of external realization (agro-exportmodel), along with a low development of the productive forces leads to a high level of semi-proletarianization and urbanization²⁾. In these circumstances, the revolutionary struggle has to compete for state power and the political-military confrontation precedes the economic, social and ideological transformation³⁾.

1) see his paper, "The seizure of power in Nicaragua and the politics of the socialist transition" in this folder.

2) for an historical description of the process of primitive accumulation and the semi-proletarianization, linked with the introduction of coffee in Nicaragua, see: J. Wheelock, "Imperialismo y Dictadura", Mexico, 1975.

3) see : O. Nufiez, "The third social force in national liberation movements", in: Latin American Perspectives, spring, 1981; also: G.E. Lenski, "Power and Privilege - a theory of social stratification", New York, 1966.

The FSLN originally operated on the lines of the foco-strategy¹⁾ (Che Guevara) and considered itself as a revolutionary vanguard. At the end of the 1960's - after being defeated several times in military actions - major weight was placed on political work and popular organization. After a period of strategic discussions and the emergence of three distincy fractions, the Frente was re-united again in March, 1979²⁾.

A more specific factor underlying the ultimate broad opposition to Somoza concerns the so-called bourgeois democratic opposition (UDEL). This opposition arose especially in the 1970's because of the Somozist discriminative use of the state apparatus³⁾. The state no longer acted as a representative of all capitalist classes, but was monopolized by a minority of the dominant capitalist class and consequently conflicts within the bourgeoisie intensified the crisis of the regime.

After the revolution these specific circumstances of the revolutionary struggle (massive popular participation instead of a real class struggle) and the conditions under which the seizure of power takes place, define the political position of the new government. In general terms, the discussion focusses on the choice between the continuation of a broad political coalition or a more revolutionary vanguard policy.

The latter policy means that the revolutionary government has to 'transform the capitalist class away' and that in the long run, former allies in the revolutionary block have to be attacked. Only by means of consolidation of power in the hands of a cohesive revolutionary vanguard, the Frente can escape power-sharing formulas and initiate a consistent social and economic transition process⁴⁾. This means that class struggle must be intensified in order to give a clear orientation to the transition process.

1) R. Debray, "Strategy for Revolution; Essays on Latin America", London 1965.

2) see for a clear exposition, Humberto Ortega Saavedra, "50 años de lucha Sandinista", Managua, 1979.

3) H. Jung, "Nicaragua, Bereicherungsdiktatur und Volksaufstand", Frankfurt, 1981. The word "Bereicherungsdiktatur" refers to the personal enrichment practices of Somoza through the medium of the state apparatus (especially in reconstruction boom after the 1972 earthquake).

4) see: J. Petras, "Whither the Nicaraguan Revolution?", in: Monthly Review, Vol.31, No.5, October 1979.

On the other hand, the present option for a continuation of a broad political coalition takes the line that there exist structural economic reasons for political pluralism. The mixed economic system simply demands a more heterogeneous composition of government and the incorporation of loyal opposition in the institutional arrangements. Besides, a conscious non-identification of the movement/party with the state is a *conditio sine qua non* for the state's role as 'mediator' and for affiliation to a more associated model of development (e.g. joint ventures with foreign capital). But this does not automatically mean that the government always has to resign to 'compromise politics'. One has to realize that all policy decisions have class implications. Therefore, the consolidation of the political alliance of workers and peasants and the broadening of the class basis of the regime can be based on a consistent economic policy¹⁾, (basic needs first and management of the internal terms of trade in favour of workers and peasants) and new forms of popular organization (real popular participation as democratic model).

Most important in the indicated controversy is the role of the state vis-à-vis the different social classes and political organizations, including the Frente. The Nicaraguan organizational-institutional structure and philosophy represents a number of new and original elements. The position of the FSLN, originating in its undisputed command of the armed opposition against Somoza, moved towards further consolidation of power through its hegemony in the military, political and social spheres. The diffuse class structure in Nicaragua, together with the nationalist/populist (non-class form) ideologic basic of Sandinism were very important reasons the Sandinist Front opted for organizing the popular classes directly (CDS's, militias, etc.) instead of creating a monolithic political party²⁾. In the longer run, direct popular organization and participation can create room for a more mediating role of the state and a more indirect control on the state apparatus by the Frente. By means of Sandinist popular organizations a policy of popular mobilization can be converted into permanent institutionalized means of expression of the people, and the division between the party and people should be avoided³⁾. Thus, the consolidation of the political support for the Frente ultimately depends on the distribution of material gains and real political influence (democratization).

1) C.D. Deere & P. Marchetti, "The worker-peasant alliance in the first year of the Nicaraguan Agrarian Reform", in: Latin American Perspectives, spring, 1981.

2) see: S.M. Gorman, "Power and Consolidation in the Nicaraguan Revolution", in Journal of Latin American Studies, Vol. 13, No. 1, January 1981.

3) J.F. Petras & M. Selden, 'Het wereldsysteem in de Overgang', Derde Wereld 82, no. 1, Febr. 1982.

During the transitional phase, a process of development of the forces of production can be initiated to facilitate the gradual social and economic transformation. The FSLN-hegemony of the state-apparatus (including the army, foreign trade and banking) guarantees the control of the surplus-utilization process which can be used for redistributional purposes. In the meanwhile the private sectors can continue to fulfil their functions in the reconstruction process, while the state performs a 'mediating' role¹⁾. Therefore the Nicaraguan model of the state can be described as a 'small state' which only controls the circulation (production and trade conditions) and accumulation (surplus utilization), instead of full control over the direct material production.

Within this 'model' special attention has to be paid to the development of class structure. In the first place it can be said that excessive articulation of the mode of production (corresponding with income disparities) has to be avoided. But, in the second place, it is important to notice that the development of the Nicaraguan economic structure in the past is responsible for this excessive articulation. Especially the high level of rural semi-proletarianization (caused by the dual structure of agriculture) and the relatively strong development of rural and urban middle classes can be related to the liberal capitalist development model during the Somoza period.

After the revolution only two strategies are available to solve this problem. The first one, with reference to the rural sector, aims at further proletarianization of the rural semi-proletariat, in order to be able to oppose the 'overexploitation' of the peasantry (better wages and working conditions).

The second one, with reference to the middle classes, aims at strengthening of progressive middle class organization (UNAG, ANDEN) in order to enable them to formulate their own economic and political position vis-à-vis the upper classes. Others speak of a 'transformation of the middle sectors into working class, in order to continue their contribution to the revolutionary project'²⁾. While the first option focusses on the progressive role of the middle class in the ideological and

¹⁾ J. Petras, "Nicaragua, the transition to a new society", in Latin American Perspectives, spring 1981. This article indicates a shift of view to a more moderate position, compared to Petras' earlier article in Monthly Review (Oct. 1979)

²⁾ O. Nuñez, op. cit., p.21.

political transformation of the social formation, the second option concentrates on the disproportionate economic position of middle classes in the economic process¹⁾.

The political economy of the transition strategy of Nicaragua

The second part of the seminar concentrated on the economic problem of the Nicaraguan transition strategy²⁾. In the Nicaraguan economic planning³⁾ the most important economic debate centres around the balance between accumulation and (basic and non-basic) consumption. FitzGerald deals with this problem by extending the classical two department model (Feld'man) to a three-sector model in the kaleckian tradition, in a way that both economic growth and income distribution effects can be calculated.

In the second place, the discussion focusses on the most appropriate economic basis for the accumulation process. Because of its small size and the open economic system (technological dependence, energy imports), the Nicaraguan economy has to rely on foreign trade to finance economic development. Since industrialization is limited by the market potential (small domestic market; stagnation of the CACM⁴⁾), the accumulation process almost totally centres around the agricultural export sector. Industrial development is promoted in sectors related to agriculture (forward and backward linkages).

Thus the agricultural sector is the main source of accumulation funds (exports), but at the same time agriculture has to provide for wage goods (food). Consequently the classical 'industrialization debate' is replicated within the agricultural sector. In the short time export crops are necessary for the promotion of foreign exchange (to finance necessary

¹⁾ See: E. Laclau, "Politics and Ideology in Marxist Theory", London 1978.

²⁾ see papers E.V.K. FitzGerald, "Economic Problems in the analysis of transition in Nicaragua", and R. Ruben, "Transfer mechanisms and the political alliance". A report of the discussions is included in the last section.

³⁾ MIPLAN, "Programa de Reactivación en Beneficio del Pueblo 1980", and "Programa de Austeridad y Eficiencia 1981".

⁴⁾ However, the victory of the FMLN in El Salvador will be of great importance for the long-run industrialization perspectives of Nicaragua.

imports), but on the other hand there is an increase in domestic food demand, caused by more employment, higher wages and general rising expectations.

The most important question, related to the way Nicaragua should handle this dilemma, concerns the organization of the surplus-mobilization process. Ruben suggest that by means of indirect mechanisms the state controls the circulation and accumulation spheres and therefore performs a major function in the direction of the surplus utilizing and transfer processes. The Nicaraguan state is "more interested in controlling the productive proces (the direction of the flow of funds, including investment, domestic and foreign trade, labour, etc), than in controlling (which means: managing) directly all means of production ..."¹⁾

Related to these general elements of the economic transition is the question of the long-term accumulation basis of the Nicaraguan economic system. This question refers to the policy of structural economic change in relation to the foreign trade strategy. In order to acquire a more 'independent' accumulation basis, important changes are necessary in exports (predominantly agricultural) and imports (energy and industrial products). In the field of exports is opted for 'diversification of export dependency' by products and regions. For the longer run, a strategy of export-substitution and food exports is being designed to complement the traditional exports. By increasing the production and processing of basic grains for export (after domestic food self-sufficiency has been reached) a new partnership of peasants (cooperatives) and the state should reduce the degree of exploitation much more quickly than neglecting peasant production²⁾. Moreover, regional market possibilities, prices, relatively simple technology, the availability of ample land and positive spill-over effects are other major arguments for a food export strategy.

In the field of imports, non-essential (luxury) imports have to be diminished. Industrial products will be imported only as far as they cannot be produced inside Nicaragua. Energy-imports should be diminished

¹⁾ Interview with Jaime Wheelock in Ceres, Vol.14, No.5, Sept/Oct 1981; "more than control of the means of production we are interested in controlling the economic surplus in order to distribute justly the nation's wealth".

²⁾ UNRISD, "Food systems and society; the case of Nicaragua", Gevena, June 1981.

by means of local development of hydro-energy and geothermic-energy (and perhaps also gasohol). Most important however, is the foreign-trade balance. It has to be avoided that balance of payments deficits are transferred to the population in the form of inflationary pressure or huge debt service ratios.

A very important aspect of the political economy of the transition strategy of Nicaragua concerns the study of the relations of production. As described earlier, the traditional agro-export model and the capitalist modernization during the Somoza-period were based on a particularly strong articulation of the relations of production and a special character of the class-structure. In general terms, the model has been built on excessive semi-proletarianization, both in urban and in rural sectors. In agriculture, the expansion of capital-intensive export-sectors (coffee, cotton, livestock) pushed aside the many small farmers to marginal grounds in the interior part of the country or on the mountain-slopes. About 80% of these farmers were forced to supply labour-services to the export-sectors during the harvesting season in order to supplement their incomes. Others were completely expelled out of the agricultural business, leading to a concentration of population in urban centres. But these migrants were unable to find employment in the equally capital-intensive export industries and joined the large urban informal sector¹⁾. Besides a steadily growing mass of marginalized elements (serving as 'labour reserve army' to press down wages), a large middle stratum (small handicrafts, intellectuals, employees, etc.) emerged as a significant political factor²⁾.

After the revolution, these particular relations of production made high demands upon the labour policy. In the long run the problem has to be handled by means of a transformation of the mode of production, for example mechanization of export agriculture, cooperative food production, labour-intensive industrialization, etc.. At short notice, the excessive articulation of the relations of production can be seized upon by introducing 'another logic' within the system³⁾. This means that higher wages,

1) see for an exposition of the Nicaraguan class structure after 1950, H. Jung, "Behind the Nicaraguan Revolution", in: New Left Review, No. 117, Sept/Oct 1979.

2) Ibid., p.72; in 1973 urban middle class comprised almost one-fifth of the EAP, but in later years this class also was restricted by Somocist discrimination.

3) See: "Einige Aspekte der Wirtschaft Nicaraguas", okt. 1981.

better labour conditions and greater worker control could be introduced in order to eliminate the over-exploitation of labour-force¹⁾. In this respect, income redistribution policies (including the management of internal terms of trade) can be used to supplement the protection of both rural and urban wage-labour without the total elimination of semi-proletarian labour (and, to some extent, even to attract more temporary labour). In addition, state control over the surplus-utilizing (and transfer-)process is used in a way that the export-surplus is directed to finance government expenditure on collective and social services and accumulation. No longer is accumulation being financed by means of inflationary pressure on the population, but the export sectors directly supply financial funds for accumulation.

However, the realization of such a policy encounters a number of very important restrictions.

In the first place, the most important problem facing the state is its 'relative autonomous' position, which will cause a tendency towards a fiscal crisis²⁾. Shortage of technicians limits the further expansion of the state sector; therefore 'consolidation' rather than expansion is their first aim. In the second place, the improvement of working conditions (wages, labour hours) exerts a negative influence on labour productivity and hence on the total size of the economic surplus. Also higher consumption limits the real surplus³⁾. In the third place, the political alliance between different economic strata greatly depends on an equal distribution of benefits. Therefore, it has to be avoided creating privileged minorities in state enterprises or in the state bureaucracy. Also regional and sectoral investment plans have to deal with these distribution objectives.

To escape from these restrictions, inherent to the still prevailing capitalist mode of production, the Nicaraguan economic policy has to rely on a simultaneous process of distributive economic growth and transformation of the structure of the economy. In the short run there will be little room for excessive wage-demands and government expenditure

1) Xavier Gorastiaga speaks in connection with this about "a thrickle-up economy".

2) In fact, inflation in the second half of 1979 and in 1980 was even higher than in the first half of 1979, which indicates a process of deficit-financing of the reconstruction process.

3) By means of shifting consumption practices it is tried to protect the export surplus (restrictions of domestic consumption of sugar and meat, promotion of maize-consumption).

can only expand moderately (supplemented by popular campaigns for education, health, etc.). To escape from the dominant peripheral mode of production a considerable part of the surplus has to be directed to the structural transformation of the economy, to initiate a less dualistic structure of the economy (improving production conditions), in order to realize a more independent and egalitarian economic model.

The Agrarian Transition and the role of the agricultural sector in the Nicaraguan transition strategy

The third part of the seminar paid special attention to the role of the agricultural sector in the Nicaraguan transition strategy¹⁾. Because of the dominant position the agricultural sector occupies within the Nicaraguan economy (22% of domestic production, 45% of employment, 75% of export earnings), it is very important to analyse the implications of the traditional agro-export model for the dynamics of the economy as a whole, as well as for the relations of production within the agricultural sector.

In general terms, the agricultural sector performs major functions in the financing of overall economic development and contributes to the domestic food supply and employment creation. However, what is most important, the dualistic nature of the agricultural sector results in a sharp differentiation between the large-scale capital intensive export sectors (cotton, coffee, sugar, meat) and a great number of small food-producing farmers (beans, maize).

Blokland states in his contribution that it is very important to realize that the peasant economy is not a different mode of production, but incorporated in the capitalist economy. The peasants sub-sectors contribute to capitalist accumulation by means of cheap seasonal wage-labour (wages below reproduction costs of labour) and by means of cheap food supply to the cities (and consequently low urban wages)²⁾.

1) see the papers of J.P. de Groot, "Nicaraguan agrarian reform: constraints and policy options", K. Blokland, "Transition with peasants", and J. Algra & L. Clercx, "Credit and Growth of small scale food production in Nicaragua."

2) this so-called 'peasant-plantation system' and the monopolization of resources on which it is based, has been described in detail by G.L. Beckford, "Persistent Poverty", New York, 1972.

The most important consequence of this view is that accumulation through agricultural exports can only take place in a situation of 'overexploitation'.

The post-revolutionary agricultural reform policy in Nicaragua therefore, has to deal with the position of the peasants in particular.

In the first place, attention has been paid to the process of land-reform in the contribution of J.P. de Groot. After the first phase of land-reform nearly 25% of agricultural land (19% of agricultural production) is being confiscated by the state. However, the direct government influence is restricted to control over land property, processing and (export)trade only in the export sectors. In the short run political, financial, economic and managerial constraints limit a further process of land-acquisition. Several policy-options have been suggested to overcome these constraints in order to reduce the dependence of the country on the landowner-entrepreneur class.

Here we reach the second point of discussion, viz. the agrarian policy. Within the framework of a mixed economic system and while co-existing several 'types' of production within the agricultural sector, a coherent agricultural reform programme has to be designed to ensure state control over the agricultural sector. By combining labour-policy, land-rent controls, price policies for inputs and outputs, marketing policy and credit and extension¹⁾, especially small farmers and cooperatives can be incorporated in redistributive process. Also in the field of agricultural policy the government policy meets its limitations. The contribution of J. Algra and L. Clercx examines a number of these constraints with regard to present credit-policy. Especially in credit-provision, important changes were introduced after 1979. Whereas in earlier years nearly 85% of all formal (BNN) credit was allocated to export-crops, now the BND has raised the amount of credit directed towards basic grain production by 600% (compared to 1978). Also differential interest rates are introduced and credit, input provision and extension-policies are incorporated in a single organizational network. (Procampo).

¹⁾ For a review of Nicaraguan agricultural policy see: C.D. Deere, "Nicaraguan agricultural policy: 1979-81", in Cambridge Journal of Economics, 1981, Vol.5, and D. Kaimowitz & J.R. Thome, "Nicaragua's Agrarian Reform: the first year (1979-80)", LTC paper 122, October 1980.

However, the current credit-system suffers from shortcomings. In general, interest rates are too low (cannot cover the lending rate), leading to 'overfinancing' and consumptive use of the credit. Moreover, many bottlenecks exist in the systems for technical assistance, input-provision and output-marketing, due to the limited bases for commercial production and problems with the development of infrastructure in the interior of the country¹⁾. Finally, the total amount of credit is limited, whereby both export agriculture and food-producing sectors compete for the funds.

The conclusion which can be drawn from the above exposition is that the problems of the Nicaraguan agricultural sector cannot be solved within the prevailing system. In the long run the agrarian transition policy has to include a conversion to other dynamic centres. The state sector (APP), the collective sector and small and medium farmers can take over a part of the surplus-generating capacity now almost exclusively in the hands of the landowner class.

This means that the agrarian policy has to promote the development of new organization forms of production. To stimulate small peasant food production (which can become a major new accumulation basis) the improvement of agricultural production conditions is important to increase agricultural productivity (and hence incomes) and to guarantee food self-sufficiency at reasonable prices²⁾.

The organization of cooperatives in all kinds of forms (including 'pooling') is extremely important to incorporate small peasants and semi-proletarians in the transition strategy, both in economic as well as in political respect. Cooperatives can be reached far more effectively by the state apparatus (access to credit provision, extension, etc.) and have a stronger power position vis-à-vis traditional middlemen (and also for protection against the state bureaucracy). Moreover, collectivization of agriculture is an important basis for the transition process, since transfers can be realized without excessive exploitation of the peasants.

¹⁾ J. Wheelock, in : Ceres, op. cit., p.50.

²⁾ within the framework of PAN (Programa Alimentario Nicaragüense), which is responsible for food distribution and price policy (executed by MICE).

Continuation

In this report both the working papers and the reports¹⁾ of the discussions at the seminar are included. In an appendix, one can find some short notices about current research and cooperation projects with Nicaragua.

The seminar has been concluded with a discussion about the possibilities for continuation of these kinds of interchange of views. The participants decided to start a permanent working on transition strategies in Central America, in which different research institutes will participate. By means of this organization, contacts will be maintained with Nicaraguan research institutes and some coordination between the different research projects will be accomplished.

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Ruerd Ruben

Correspondence

Free University Amsterdam
Faculty of Economics
Department of Development and Agricultural Economics
De Boelelaan 1105, room 4A-24
Amsterdam, The Netherlands

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THE SEIZURE OF POWER IN NICARAGUA AND
THE POLITICS OF THE SOCIALIST TRANSITION

K.W.J.Post
Institute of Social Studies
The Hague, Netherlands
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SEMINAR ON NICARAGUA - VRIJE UNIVERSITEIT

THE SEIZURE OF POWER IN NICARAGUA AND THE POLITICS
OF THE SOCIALIST TRANSITION

The basic proposition of this paper is as follows. The decision to launch a 'transition' to socialism (or, as I prefer to put it, to initiate a process of building socialism) is a political one, its timing and nature, like those of all policy decisions, being determined by the balance of class and other social forces (conjunction) at the particular point in time (conjuncture) when the decision is made. Particularly since the beginning of the building of socialism usually follows immediately upon the taking of state power (usually through violent revolution) by forces which intend to transform **society** or at least shortly thereafter, the political conjunction at that conjuncture will be largely determined by the circumstances in which power was won. Above all, the determinants will be firstly the composition of the revolutionary bloc formed in the course of the struggle for power, which may include a wide variety of social interests the only real common concern of which is destruction of the old regime, and secondly the nature of the leadership of the bloc (the vanguard).¹ Once that concern has been met the other differences will emerge and have a profound effect upon the nature and timing of the launching of socialist policies. The developments in Nicaragua since July 1979 seem to me to provide a particularly clear example of this, and in this paper I wish to focus upon the struggle for power leading up to that date in order to establish what kind of revolutionary bloc was formed and how it overthrew the old regime, in my view indispensable concerns if we are to understand the attempted 'transition.'

Nicaragua as a Peripheral Capitalist Formation

This presentation takes it as basic that we may see Nicaragua as situated in a capitalist world system' which had emerged in an almost complete form by 1914 and had continued to develop since then, notably by shifting since 1945 from the old colony-metropolis relationship to one of hierarchies of sovereign states and supra-national bodies. We may in fact hypothesise three basic historical forms in which such peripheral social formations have been integrated into that system. The obvious reservation must be made they are in no sense 'pure' but overlap both in time and structurally.

The first, in fact, no longer really exists anywhere, since as a form it was associated with the phase of Western mercantile capitalism from the 15th to the late 18th centuries; its typical expression was the trading fort or, at its most highly developed, the slave plantation. We would designate this form 'primitive integration.' The further development of Western capitalism, taking us into its manufacturing phase, with new and increased demands for raw materials, labour power, markets and investment outlets to ensure its accumulation and reproduction, brought with it the phase of 'intermediate integration' of the peripheral formations, which at this point were increasingly being spatially reorganised for capitalist purposes, sometimes involving the creation of units which never existed before (the colonies created by the 'grab for Africa', for example). This was typically a phase of investment for extraction, so that the major productive enterprises of the form were plantations and mines, with peasant agriculture structured round these to provide subsistence for rural and urban labourers or

cash crops where capitalist accumulation found this more efficient (for instance, cocoa in the Gold Coast (Ghana)). Most recently, with manufacturing capitalism in its monopoly stage, we have entered a phase in which cases are emerging of 'advanced integration,' in which direct capitalist production is spreading in the rural areas of the periphery and the manufacturing sector is growing and even becoming dominant: both phenomena are associated with the direct investment of capital by Western multinationals, sometimes in association with local capitalists.

'Integration,' obviously the crucial variable for us, is here, then, the penetration of capitalism from its base in the advanced industrial countries in ever more massive and complex forms. At first sight it seems surprising that all the attempted socialist transformations have occurred in countries which are cases only of intermediate integration. (Two possible exceptions are Russia in 1917 and Cuba in the late 1950s, which might be argued to have been embarking on the transition towards advanced status, though still with far to go.) On the other hand we have cases like Laos or Cambodia (Kampuchea), where the degree of even intermediate capitalist integration was low, and the generalisation is obviously valid. Above all advanced formations such as Brazil, Argentina and Taiwan have proved notoriously poor breeding grounds for successful socialist movements, and even those which seem to be blocked from making the full transition to advanced status, like Turkey, are very resistant.

The impact of the gradual historical creation of the periphery (for such it was) upon class formation there was enormous. Old classes and strata were given new shapes, new ones created, but in no case did this exactly parallel the Western experience; we are now in the realm of 'underdevelopment'. Indeed, that is how

that phenomenon took its characteristic shape, an interpenetration and hybridisation of non-capitalist forms of production, distribution and exchange with capitalist modes, the latter of course dominant and determining (at least ultimately) the ability of the others to reproduce themselves.

Forms and modes of production mean people in social relations with one another, and those relations structured into the regularities of classes and other social groups. Such relations in turn mean exploitation and oppression, contradictions and class struggle. It is my hypothesis that the interpenetration of forms and modes of production and consequent social structures and relations are most complex of all in the countries which are intermediately integrated into the world capitalist system. Nicaragua is a case in point, although due allowance must also be made for its specificities.

The first necessary point, therefore, is that Nicaragua's colonial experience goes far back in time, to Spanish expansion in the sixteenth century, but conversely ended as part of the general Latin American liberation struggle already in 1821. Spanish colonialism had resulted in little capitalist penetration, even of the mercantile kind; the dominant class after formal independence was gained was the cattle-raising landed oligarchy. Interest on the part of the advanced capitalist countries really began with the prospect of a canal through the Central American isthmus to link the east coast of the USA more readily with the new centre of investment, California and its gold, after 1849. In 1867 the US government imposed a treaty on Nicaragua, breaking a previous agreement with Britain that each would abstain from creating a sphere of influence, though the USA found it ultimately better to build its

canal in Panama, after sponsoring the secession of that country from Colombia in 1902.

Nicaragua thus immediately provides two general points of interest for us. Its colonial experience by 1979 was remote and not directly determinant; this is important because many 'socialist' seizures of power since 1945 have taken the form of anti-colonial struggles (Viet Nam up to 1954, Angola, South Yemen and so on), but obviously the almost complete disappearance of formal colonies has ended this phase. Future struggles will thus no longer take such a form, with important implications for their ideological content. Secondly, as we shall see, from this very underdeveloped beginning Nicaragua continued to remain backward, even in terms of the intermediately integrated periphery, and thus poses in a particularly acute form the question, why a socialist seizure of power there of all places?

Relatively late for Latin America, a Liberal regime representing commercially-oriented business interests as opposed to the landowners' Conservative party opened the country from 1893 to foreign capital. Some American and European (for example, German) investment in production followed, in timber, gold, coffee and bananas.² The expropriations of peasants - particularly Indian communities - from their land and the growth in wage labour which followed were enough to add a dimension of popular resistance to the struggle between Liberals and Conservatives which included frequent resort to coups and resultant sporadic civil war. From 1912 onwards these provoked interventions by the US Marines, and this helped broaden a Liberal rebellion in 1926 into the liberation war led by Augusto Cesar Sandino.³ The foreign troupes were forced to withdraw in 1931, but they left behind the US-trained National Guard commanded by

Anastasio Somoza the elder, who in February 1933 treacherously murdered Sandino and his followers and inaugurated direct or indirect rule by the Somoza family for more than forty-five years.

In these events we see confirmed the most basic characteristic of the underdeveloped periphery, the determinant influence of external forces in structuring its economy and thus in shaping its class formation and political struggle. Subsequent decades only confirmed and broadened this. The Second World War encouraged Nicaraguan production for export and establishment of some light industry to replace imports, in the 1950s the hunger of the capitalist world for raw materials gave a further spur to exports, and the formation of the Central American Common Market in 1963 gave a wider market for a broadening of industry. Much of the last expansion was based on foreign capital and branch plants; Westinghouse, US Steel, Esso Standard Oils, Panamerican World Airways, Monsanto Chemicals, General Mills, First National City Bank and many more became featured in the Nicaraguan register of companies.⁴

By the late 1970s the total foreign capital invested in Nicaragua is estimated at between \$125 and \$170 million, seventy to eighty percent of it from the USA.⁵ This was not a particularly large concentration by world standards, even on the periphery, but it was sufficient to give structure to the whole social formation. Thus, foreign and local capitalists were grouped into three main constellations, one round the Somoza family, another round the Banco de America and the third based on the Banco Nicaraguense.⁶ The Somozas' holdings were by far the greatest, extending into every sector of the economy and totalling perhaps \$400 million. This aspect of the power structure was unusual, and we must return to it

soon, but here let it be emphasised that it did not create a qualitative difference in the Nicaraguan situation compared to other formations of its kind. Typical enough, too, was the process of 'modernisation' through which the capitalist class had passed by virtue of its association with foreign enterprise and its increasing incorporation into wider regional and world markets. Nevertheless, it remained highly divided internally, among the usual sectors of finance, agriculture, industry, trade and so on and stratified by levels of wealth. Moreover, the strata tended to coincide with a segmentation determined by closeness of association with foreign capital; in particular, local small businessmen functioned without that support.

At its lower, less affluent margins the capitalist class merged into the petty bourgeoisie of self-employed manufacturers and traders, widened in numbers in the 1960s as increased production spread its effects but struggling always for survival as they competed with foreign products, the capitalists above them, and one another. For the most part close to them in incomes and attitudes, but distinct in class terms, were the middle strata, at the top affluent professionals closer to the capitalists, then fading down through various grades of bureaucrats, teachers and clerks until one reaches genteel poverty and even worse. Distinguished from the petty bourgeoisie proper by the fact that they sold their labour power directly to live (in this resembling rather the working class), these strata had also proliferated in the sixties as the state apparatus grew and capitalism demanded even more services as it expanded its production and marketing.⁷ By 1973 they together with the petty bourgeoisie totalled around a fifth of the 'economically active' population of 544,000 (in a population of just over two million).

Capitalism necessarily brings with it wage employment as it consolidates as a mode of production, cutting peasants from their land and petty producers from their crafts then buying their labour power when and how it pleases. In 1971 237,000 Nicaraguans were employed in agriculture, 109,000 of them wage labourers on the big farms, ranches and plantations. The development of industry on a capital intensive basis had raised the number of factory workers only from 62,000 in 1963 to 75,000 in 1971. The working class was thus small and largely rural (though transport, construction and some other sectors would have located some thousands more in the towns). The rural centre of gravity kept this class close to that of the nearly 130,000 independent peasant producers, indeed overlapping with it, since many combined occasional wage labour with a small plot of land or left the plot with their family and moved more permanently into wage work. The point is that there was neither enough land nor enough wage labour to give a livelihood to all; an official unemployment figure of 36 per cent in September 1973 reveals that there was every scope for capitalism to use its well-worn whip of worklessness to keep wages down; in 1971 fifty per cent of the population had an annual cash income of less than \$90. This situation was made a permanent structural feature by the consolidation of export agriculture based on large holdings from the early 1950s; by 1971 less than 2 per cent of these amassed almost 50 per cent of cultivated area, while the bottom 76 per cent of holdings accounted for 13 per cent. Migration to Managua and other towns created the shanty areas around them, filled with the unemployed and those who scratched a living by all conceivable - and some almost unimaginable - exercises of human ingenuity.

The above discussion has presented the situation in terms of one country of the capitalist periphery which has experienced a socialist revolution. What must be emphasised is that, despite obvious particularities of detail, the picture presented is typical of the great majority of peripheral formations. In all of them the processes of class formation induced by many years of capitalist penetration are complex and the situation fluid; classes and strata are internally divided and overlap and interpenetrate one another, people move readily and frequently among them and simultaneously hold such dual class positions as poor peasant and rural wage worker. Contradictions among classes are multiple, and are supplemented and interpenetrated by others involved in the social relations of women, young people and minority ethnic or religious groups. All this is very far from the classical Marxist picture of polarisation and the growing size, solidity and self-consciousness of the working class. Yet, as we shall go on to show this class situation provides the basic reason why revolutions led by socialists take place in countries intermediately integrated into the capitalist periphery. Before this point can be fully consolidated, some more foundations must be laid.

The building blocks for these are the concepts of the state and the power bloc. In the literature on underdevelopment the state has occupied a prominent place in recent years, as both Marxist and other writers have come to see it as playing a decisive interventionary role. Both have therefore spoken of the 'autonomous' or at least 'semi-autonomous' state, acting as an independent force 'above' class or other social interests because its perspectives are wider and its resources much greater

than theirs. The problem is that such an approach tends to personify the state as if it were a sort of conscious force in itself, or at least as if it were the expression of some group (the military?) who could transcend class interests.

The challenge, then, is to find a different mode of analysis. In attempting this, let it immediately be clear that we would not suggest some neutral role for the state apparatus. Evidently there are such things as dominant classes which have a disproportionate share of economic and political power and hence much freer access to the state and the ability to direct policy in their own favour. But to speak of them as 'dominant' is less misleading than to use the more time-honoured expressions, 'ruling' or 'governing,' which again imply too direct a relationship to the state apparatus. Even in the advanced capitalist countries the position is more complex, though the constellation of bankers, other businessmen and corporation lawyers called in to hold the government portfolios under any US President would appear to give a rather old-fashioned Marxism a new lease of life. In the capitalist periphery, where the historical origins and formation of the state are different, the relationship of the dominant classes to the state apparatus is certainly more nuanced, mediated by a power bloc which gives a particular shape to that relationship.

The origins of the state apparatus in the capitalist periphery are basically colonial, or where they are not (in Thailand or Turkey, for example) are to be found in a conscious attempt to 'modernize' on a European model. (Latin American states are both, being 'modernizations' of very old colonial structures.) This means that these states were essentially imports. They evolved only partially organically - better, dialectically - with the

internal class struggle, as did those of Western Europe. Basically, rather, they were inserted into it by the conscious act of colonial masters or local modernizers and immediately became a factor of great influence on the new patterns of class formation which had followed capitalist penetration. The local dominant class (or classes) thus operated through a state apparatus which from its origins had assumed a quite different posture, as it were, towards such local classes, relating to them not directly but with the mediation of a power bloc composed of those elements most directly associated with 'decolonisation' or 'modernisation' of the state apparatus.

Thus in Nicaragua, the colonially-rooted state which was in effect 'modernized' under the direct auspices of the USA between 1912 and 1931 (mainly by giving it an effective repressive apparatus, centred on the new National Guard) was permeated from its beginning by Somoza family interests. As one commentator put it, by the 1970s the National Guard and the younger Anastasio Somoza's 'gigantic network of economic and political dependents and his direct partners' were 'intertwined with the very foundations of the state'.⁸ This situation in turn created a very important contradiction between the state apparatus and the (economically) dominant capitalist class, to which the Somoza family of course belonged. The state served to secure the necessary conditions for the capitalists in general to accumulate, primarily through the repression of the exploited classes and groups. On the other hand, 'Since he holds the state apparatus in his hands, Somoza always alters the rules of the economic game in his favour.'⁹

In pre-revolution Nicaragua the power bloc thus had one very special - though by no means unique - feature, the presence at its centre of the Somoza family, which

gave it a particular coherence. Beyond them were their immediate business associates, top officers of the National Guard, certain leading bureaucrats (though some of these were also extended family members, like the head of the National Power Co. and the National Development Institute) and, until the mid-1970s, the Banco Nicaraguense group. It could well be argued that successive US ambassadors also directly belonged to the bloc, since they gave advice on a virtually day-to-day basis.¹⁰ Obviously the way in which policies were formulated and executed were mediated and determined by the composition of the bloc, and conversely not to belong or to have direct entry was a manifest disadvantage.

The Somozist state apparatus was thus not some semi-autonomous entity. Indeed, quite the reverse, it was very firmly in the grip of a minority even of the dominant capitalist class, and any apparent freedom of action which it might have was precisely a result of counter-pressures by a variety of complex contradictions (such as Somoza group v. other capitalists, foreign v. national business, big businessmen v. small), not of an absence of such direct determinations. This location of the state apparatus and power bloc among multiple contradictions on the capitalist periphery provides us with the second main reason why revolutions led by socialists take place in countries intermediately integrated into it.

Class Struggle on the Periphery

If contemporary peripheral formations such as Nicaragua are characterised by complex class structures with multiple contradictions which interpenetrate one another, then it follows that the class struggle there must be equally complex. In other words, there is a multiplicity of interests, those of classes, of groupings of various kinds within classes, and of social groups not definable

as classes (women, youth, ethnic minorities), which in some degree or other are organised and self-conscious and attempting to maximise advantages in the case of the relatively privileged and win something for themselves in the case of the subordinated. Moreover, all of this is occurring in situations where external relations in particular, along with a relatively low development of productive forces linked with those relations, make the pool of locally-held resources for which to compete quite small. In certain circumstances (and quite quickly, as we shall argue) the competition becomes one not just for available resources but for state power in general. To reach that level the system must be passing into a condition of crisis. It is our next task, therefore, to look at class struggle in relation to the socialist seizure of power.

Already during the 1920s, Marxist-Leninist theory, more especially in its Stalinist formulation, had established that it was not the workers alone upon whom the revolution would rest but rather that in the conditions of peripheral capitalism a broader range of class elements must be brought together. This was realistic, but also in our opinion decisive for the future 'socialist' seizures of power. To formulate a proposition in line with our previous analysis: in the class conditions of peripheral capitalism, the only possible revolutionary bloc is one which includes all dissident class and other elements.

At this point it seems better immediately to raise three problems for the organisation of class struggle which follow directly from the above proposition. Firstly, the need to combine a wide variety of alienated elements into one movement means finding suitable forms of organisation. The Indochinese Communist Party is a good example here: claiming in May 1941 that a quarter

of its members were workers, at the same time it launched an extensive programme of building up 'National Salvation' organisations for peasants, intellectuals, women, students, soldiers and other interests. In these circumstances Communist Parties became both vanguards of the proletariat at the head of the revolution and the scaffolding which held together an edifice of bodies which they had themselves often created.

Similarly, and a second problem which follows from the heterogeneous composition of the bloc upon which the party's seizure of power must be based, preserving the purity of a 'proletarian' ideology might well also prove difficult. Ernesto Laclau has argued (though basically in the context of developed capitalisms) that the most appropriate counter to the power bloc is 'the people' and a 'popular-democratic' ideology.¹¹ Certainly in the countries of the capitalist periphery some sort of formulation of this kind - not directly related to class interests but rather cutting across them - has been common. Often we find a sort of petty bourgeois or peasant Jacobinism, a radicalism of small property when counterposed to large, democratic and egalitarian rather than specifically socialist.

Most important of all has probably been the force of nationalism, at least in those cases where the socialist revolution has been intertwined with anti-colonial revolt or resistance to a foreign invader, as in Yugoslavia in the Second World War. Thus in Nicaragua the murdered Sandino became the central symbol of resistance against not only the Somozas but their North American patrons.

The main point here is the contradiction involved in this sort of ideological situation: nationalism or some sort of populist Jacobinism may permit the broadest possible rallying of strength to the revolution led by

socialists, but conversely make the shift to an overt class struggle position that much more difficult at a later stage. Assuming that such a shift must occur, whether we postulate clearly discernible stages or stress a 'permanent revolution' with a rapid escalation (and change in forms of struggle), the implication is that after state power has been seized there will be a struggle among the various class and other elements in the original bloc, since their interests as such will not necessarily be compatible with socialist policies.

This issue of ideology as an expression of class/social group interest or of that of some wider and less materially-based category ('nation,' 'people') is closely bound up with the role in the revolutionary bloc of middle strata elements. Ever since Lenin's formulation in 'What Is To Be Done?' (1902) that Marxism must be brought to the proletariat from 'outside' by the vanguard party, debate has raged as to whether or not this represented in fact an imposition of non-proletarian leadership. Certainly, whether we look at the Russian case or any of its successors, we see that predominantly middle strata intellectuals have been the main 'bearers' of socialist doctrine on the periphery. Most important of all, they have been the often self-appointed vanguard.

Vanguard Party and Revolutionary Bloc

A basic received idea which has been passed down through the mainstream of socialist thought is that of the vanguard party, which would lead the proletariat, itself the dominant partner in a worker-peasant alliance, around which would in turn be built a broader bloc of classes. The point is that the doctrine of the vanguard party, has consistently appeared to meet a real need,

namely that of taking an initiative and actively seeking to build the opposition bloc which would give a base and weight to the revolution. The real need arises from the breadth and heterogeneity of such a bloc in the typical situation of social struggle found on the periphery. Given this situation, leadership in building the necessary alliances has to come from somewhere, and given the difficulties which various subordinated classes and groups face in developing their own organic intellectuals, the chances are great that that leadership will come from outside them. The concept of the vanguard party can serve as the crucial ideological instrument for the crystallisation of the group of leaders, and the party itself as the necessary organisational vehicle for them to assert their dominance. However, the group of leaders does not always emerge as a fully-fledged vanguard party with the unity and 'iron discipline' beloved of the Stalinist Comintern. In one important case, Cuba, and more recently in Nicaragua, an organised but looser grouping has emerged to take the lead (the 26th July Movement and the Sandinist National Liberation Front).

Two last points may be made about the revolutionary bloc. It is extremely important to note that, the hegemony which is achieved within the bloc is not that of the working class, but of the party/movement, which means of its leadership, which we have already noted is usually not itself working class in origin. Constant repetition of the assertion that the party is the vanguard of the working class is not sufficient to prove that it is truly the latter which is hegemonic. How might that have been achieved in Nicaragua in the late 1970s, with a small, heterogeneous working class less than 6 percent of which was even unionised?¹² What is supposed to be the content of that hegemony - the acceptance of workers'

special interests as the interests of all, or a broader commitment to a socialist future? One reason why the leaders of the party/movement impose its hegemony within the revolutionary bloc is certainly because the working class is not able to do so.

A second dimension of the problem of integrating the bloc is that, given its heterogeneity, this cannot in fact be done on the basis of class and other group interests, since these are very different and sometimes actually opposed. Moreover, it is difficult to see how any of them could lead directly to socialism except the interest of the working class, consciousness of which we have already noted is not (and cannot be) sufficiently developed to make its own interest hegemonic.

On the basis of this theorisation it becomes easy to see why a revolutionary leadership of a socialist kind would find it unable to bind together a revolutionary bloc on a basis of class interest. Even if all were compatible (and the bloc may well contain capitalists and even landlords, as in China and Viet Nam), the great majority are not generalisable into an ideological stance directed towards social transformation. The result is that a programme of specific demands may be put together to cover all elements in one way or another, but that the generalised ideology has to take a non-class form, a rather unspecific populism, or nationalism expressed as general liberation.

Crisis of the Regime

We have now moved close to the final act of the seizure of power, the battering down of the gates of the presidential palace, the actual taking control of the state apparatus. We must therefore turn our attention to the way in which peripheral regimes finally collapse

in face of socialist-led revolutionary blocs, which involves the conceptualisation of their ultimate crisis. It may well be that the case of Nicaragua in the late 1970s in certain very important respects, particularly in terms of the nature and role of the vanguard and the form of struggle, was a preview of the patterns of socialist seizure of power which will come to dominate in the next decades. These arguments should become clearer as we proceed.

Even though the pressure of class and other social contradictions upon them may be multiple and the appearance of strength of their state apparatuses deceptive, peripheral capitalist regimes do not fall to their knees and tremble in the mere presence of a vanguard party/movement. First comes the often long and arduous task of insertion into the complex of contradictions and building of a revolutionary bloc strong enough to raise the possibility of a successful confrontation. Then with that support the vanguard has to manoeuvre itself to the point where the seizure of state power is actually possible. Just as the manoeuvres of armies are directed towards finding favourable terrain, so the manoeuvres of revolutionaries seek suitable conjunctions of contradictions; the great difference is that armies do not create the ground on which they move, whereas the revolutionary vanguard is actively involved in creating the political crisis which gives it the opportunity to attack.

The idea of political crisis invokes that of a similar economic condition. Nevertheless, on the periphery the situation is not simply one of economic crisis leading to political pressures on the power bloc. In one sense the formations there appear to be constantly in crisis, above all because they are integrated in special ways into the world capitalist system. Thus,

accumulation based on realisation of the surplus value generated from their raw materials and by their labour power is located in the advanced industrial countries, rather than locally; this leaves them constantly short of investment funds. The result is that they cannot produce what they need themselves and therefore have to import it; this means that price inflation is passed back to them whenever they buy indispensable food, machinery and oil (except for the fortunate few who produce the last themselves and they are not immune to the other price rises, only better cushioned). In order to buy imports and pay other rising costs the power bloc must find funds in the situation of low levels of local accumulation, and hence runs into a variant of the 'fiscal crisis of the state' which in the 1970s came increasingly to characterise advanced capitalist formations also. Resort is usually had to borrowing abroad, from governments, international agencies and, increasingly in the '70s, private banks. Huge debts which cannot be paid in time and have to be covered by further borrowings (the 'debt trap') are the result. Lastly, what surplus can be realised locally is used to maintain the dominant class and its state apparatus, perpetuating the very unequal income distribution among different classes and groups.

All this would certainly seem to add up to a condition of permanent economic crisis, which may indeed grow worse, but then often because of political factors; thus, capital may be sent away in the face of mounting popular pressure, as in early September 1978 in Nicaragua, when US\$30,000,000 was reported to have been withdrawn from the banks.¹³ This implies a complex relationship between the economic and political aspects of regime crisis.

The way in which the political crisis of the regime develops can be seen most concretely by looking at the Nicaraguan case. There the opposition to the Somoza regime had a long lineage, going back indeed to Sandino, whose mantle the Sandinist Front for National Liberation (FSLN) was to assume publicly in 1962. The Front was born out of the failure of the Moscow-aligned Nicaraguan Socialist Party (PSN) to assume the revolutionary leadership; indeed it had at times worked with the regime. This shift in leadership to another vanguard was of great significance, since it meant the picking up of the inheritance of the Comintern but without the full range of ideological and moral commitments or the enforced unity of traditional Communist Parties. (This may well typify future cases.) A substantial part of the leadership of the FSLN was drawn from dissident members of the PSN. The immediate background to the formation of the Front was the failure of various risings against Somozist rule, partly led by old-time Sandinists partly by disenchanted capitalist and middle strata elements; these attempts tended to have a distinct 'foco' character.¹⁴ For more than ten years, however, the FSLN fared no better, finding no real point of entry into the class struggle from which it could build an effective revolutionary bloc. In this period the original leaders were almost all killed.

In December 1973 the devastation of the Managua earthquake did cause a quantum leap in the misery of the biggest agglomeration of the urban poor, at a time when the 'molecular' effects of a rising cost of living had already begun to provoke strikes and demonstrations. Also significant was the immediate political impact and

the effect of the earthquake's aftermath on the attitudes of elements of the more affluent. First of all, the state apparatus was shown in the days following the disaster to be weaker than it appeared, when the National Guard turned to looting rather than preventing it and a force of US Marines from the Panama Canal Zone in fact kept what order was possible.¹⁵ Secondly, in the longer term, the Somocist core of the power bloc and its immediate associates took the opportunity for even more blatant graft and advantage-grabbing than usual, and failed to give equal access to other members. When Somoza rigged yet another election in September 1974 some of the most prominent capitalists took the lead in forming the Democratic Union for Liberation (UDEL) in December to oppose the regime.¹⁶ With this failure of the old, almost ritualistic divisions between Liberals and Conservatives to contain any longer the fissures within the capitalist class, and with the solidarity of the power bloc even beginning to weaken, a central element in the kind of regime crisis with which we are concerned was introduced.

Dissident capitalist elements, however, were moving before the socialist leaders could. The PSN, by now firmly committed to the strategy of aiming for the 'bourgeois democratic revolution' first, joined the UDEL. For its part, the FSLN had not yet found its proper point of insertion into the class struggle, let alone become the hegemonic force in an opposition bloc. In the same month that the UDEL was formed the Front forced the release of some of its imprisoned members by a dramatic seizure of hostages, but this led to martial law and a state of siege being imposed until September 1977. In the interim the Front came under heavier pressure (in this period the last original leader, Carlos Fonseca Amador, was killed). The leadership was

new and untried and now split into three groups, with different views on appropriate strategy. The 'Proletarian' faction maintained that, rather than guerrilla warfare, political work among the masses was necessary to build up the base for a vanguard party. The 'prolonged people's war' group were for a rural guerrilla strategy. The 'terceristas' (literally 'thirdists,' i.e., holding a third position) favoured attempting an urban armed uprising backed by columns coming from the rural areas, with the necessary political preparation. In the end the seizure indeed took this form, and may represent another 'wave of the future'.

In the meantime the urban and rural poor were not waiting. A wave of disturbances in 1976 was suppressed, then in September 1977 President Somoza suffered a heart attack and this reminder of mortality inspired further resistance. There were strikes, by Managua transport workers for example, student demonstrations, and unrest among peasants whose spokespersons were being arrested or simply disappearing. This activity was not enough, however, to support the general uprising which the terceristas sought, and FSLN guerrilla actions failed. Initiative again passed to dissident capitalist and middle strata elements, with the formation at the end of 1977 of the Democratic National Movement (MDN) by the 'Group of Twelve'; the 'tercerista' faction of the FSLN joined, thus beginning to move towards a broad opposition bloc in which socialist ideology would obviously have little part.¹⁷

In January 1978 Pedro Joaquín Chamorro, editor of the largest newspaper and leading light of the UDEL, was murdered by a power bloc which was obviously becoming incautious under pressure. This gave the signal for another mass upsurge, but affected other class levels

too. The death of worker and peasant activists was one thing, but, as Batista in Cuba had also discovered, once regime-inspired killings move up the social scale middle strata, petty bourgeois and even capitalist support begins to drop off and important elements begin to wonder whether their real future is with the existing power bloc. Somoza had always played the game of bourgeois democracy with cynicism as the thinnest cover for his own power, but he had played it; now even the cynicism was being displaced by his more basic vengefulness. More fundamentally, the power bloc could only hold on by increased violence. The result was that the 'bourgeois democratic' opposition began to grow in strength, and it was they, rather than the PSN or FSLN, who now used the weapon of withdrawal of labour, locking out their employees and paying them not to work.

When the popular upsurge died away or was actively crushed in the first months of 1978 the various FSLN factions were still left debating what strategy to follow. Thus the 'proletarian' group had continued to hold throughout 1977 that 'the fundamental conflict in the country is the class struggle of the proletariat against the bourgeoisie and its political system' and to assign 'only a complementary and secondary importance' to other struggles.¹⁸ The 'terceristas,' who were in a majority, in the aftermath of the struggle in early 1978 spoke rather of a convergence of FSLN strategy and that of 'other political forces' on 'one immediate objective - overthrowing the Somoza dictatorship', with the goal 'a democratic people's government, which will open the way for the development of the Sandinista People's Revolution'.¹⁹ In terms of immediate goals the 'proletarians' were not so far from this position, in fact (the 'prolonged people's war' group was effectively out of the debate),

since they were calling for 'a people's government, including representatives of the workers, peasants, students, and progressive intellectuals, in which every democratic stratum of the population would have the right to representation'.²⁰ A common ideological position was thus being created which would permit the FSLN as a whole to take the lead as a vanguard movement (though not as a tightly-knit party) in a revolutionary bloc of a wide variety of class and other dissident elements. Again, this is likely to characterise future cases.

One of the special elements in Nicaragua was the Indian communities which in Monimbo and Diriamba had risen in desperate insurrection as the lockout began to fail and been crushed.²¹ It was now becoming evident to more and more sections of the population that only a general uprising including armed force could destroy the power bloc and seize the state apparatus, and so they turned to the FSLN, which stepped up its guerrilla activities in the first half of 1978, and during those months can be said finally to have found its point of entry. The Front was able to spread and consolidate its network of basic organisations for workers, peasants and rural labourers, women and others, and also the key Civil Defence Committees in the urban shanty towns. In July 1978 these were consolidated by the formation of the United People's Movement (MPU), which also brought in one faction of the now divided PSN. At the same time, however, another faction had joined the Broad Opposition Front (FAO), formed by the capitalist and middle strata opponents of the regime and including even the Conservatives who had been Somoza's ritual adversaries. Membership also included 'the Twelve,' a group of liberal capitalist and upper middle stratum personalities through whom the FSLN had a voice in the FAO. In this very

limited sense, therefore, a broad revolutionary bloc had been formed, composed of all those who wanted to destroy the regime.

That had still to be accomplished, and by mid-1978 Somoza was again receiving financial and other support from the Carter administration in the USA, which had flinched when its trumpeted dedication to 'human rights' had so obviously struck no resonance in the Somocist power bloc. That constellation needed the support, since in July the FSLN stepped up its armed action, which found the most dramatic expression in the seizure of the legislature in August and the use of hostages to force release of prisoners.²² Ultimately more important, however, was the growing mass movement behind such actions. With strikes already breaking out, the employers began another lockout, which by early September had brought some eighty per cent of workers into paid inactivity. There were major uprisings to support the FSLN in five provincial centres, and armed columns entered from Costa Rica to create rural bases.

Yet the regime did not crumble. The heroism of the shanty town populations whom bourgeois theory dismisses as 'marginals' could not in the end triumph against the weaponry which the power bloc could obtain from the USA and other parts of the Free World. On another level, though the form for the seizure of power was now generally understood by the various elements in the revolutionary bloc, namely armed insurrection, the exact form in which that seizure would be immediately consolidated was not at all clear. By virtue of its links to the FAO the FSLN (or at least its 'tercerista' majority) spoke of a government to be formed by the dignitaries of 'the Twelve,' but gave no clearer picture. The FAO itself spoke with more assurance. In October it put forward a

16-point programme demanding the departure of the Somozas from the country and formation of a national government; a place was open in this for the power bloc's own Liberal Party if it repented, and the National Guard would remain, though reorganised by 'officers of recognized good conduct and discipline'.²³ It was evident that those elements of the dominant class now in opposition had very definite ideas on what would constitute a reliable new power bloc and had no wish to lose the essential parts of the old state apparatus.

The Somoza regime did not crumble in August and September 1978, but it began to crack, and most significantly in terms of its coercive arm. The widespread deployment of National Guard officers to various branches had militarised the state apparatus and excluded other middle strata and capitalist elements from the opportunities such access gave. As the regime came increasingly to depend on coercion the Guard more and more assumed the role of holding it together. But during the new confrontation Somoza found it necessary to turn on his own kind; the leadership of the elite 'Black Berets' was eliminated and nearly a hundred other officers arrested on charges of plotting.

The regime was in fact deep in political crisis by late 1978. Whatever difference a credit of \$12,000,000 from the US government and loans totalling \$150,000,000 from US private banks, arranged in May and August 1978, might make to the economic situation, that was an inescapable fact. Substantial parts of the dominant class no longer trusted the Somoza power bloc to protect their interests, rather feared an active discrimination against them, and their solution was to form the bloc again, with a composition which would direct the state apparatus in another way. The power bloc itself was uncertain and internally

divided, its members ready to sacrifice one another if that would ensure power. The support which minimally any power bloc and dominant class must have from subordinate classes and groups was largely gone, finally dissipated by greed and brutality become too obvious for any false explanation. Peasants, workers, women, Indians, students and the whole range of the urban poor were now ready to demonstrate, strike, fight or at least support the fighters, and the capacity of the state apparatus to coerce was slowly dwindling. All that remained to complete the political crisis was the full and confident counter-position of an opposition bloc.

It is one of the points of interest of the Nicaraguan case that such a move came so late. Though it can be said that by the first half of 1978 the FSLN could never be wiped out, it was still only then finding its point of entry into the class struggle and it was by no means the hegemonic force in a complete bloc of dissident elements. If anything, the formation of the FAO, which even had trade union support, meant the existence of two such blocs. Yet, in the conditions of class struggle in Nicaragua, a bloc formed only of workers, peasants and the other poor, as the FSLN 'proletarian' faction wished originally, was most unlikely to have sufficient weight, and certainly not brought quickly into play. Radical Catholics and the PSN had influence in the unions, in any case small, and among peasants, and leaned to the FAO; it must be repeated that the withdrawals of labour in early 1978 and again in September-October were paid lockouts, not strikes. In the end the FSLN was enough of a vanguard, the valour of its members and supporters supreme enough, to lead the final thrust.

Early in December 1978 the three FSLN factions finally united formally in support of the MSU. In doing

so they headed off a political manoeuvre by the wealthiest elements in the FAO, those grouped round the Banco de America and Banco Nicaraguense, who were trying to use mediation by the US government to ensure the Somoza family's withdrawal under cover of a plebiscite and their own place in a new power bloc.²⁴ It was at this point that the FSLN can be said to have taken control of the war of manoeuvre, politically now as well as militarily. The FAO disintegrated as most of its members repudiated the mediation tactic, and at the beginning of February 1979 a pact was signed by the MPU, the Twelve, part of the Liberal Party, left Catholics and two labour organisations to establish the National Patriotic Front (FPN); ultimately all but the biggest capitalists adhered to its three main points - disbandment of the National Guard, nationalisation of Somoza family property and a democratic national government. It was in this very broad form that the FSLN secured its ideological hegemony.

By the time the FPN was formed, and the broad revolutionary bloc finally consolidated, economic crisis had come into conjunction with political. Somocist policy of making a desert in order to call it peace had destroyed many productive enterprises, so that together with the general disruption this had resulted in a negative growth rate for the economy in 1978. Inflation was raging and unemployment growing and by now the structural safety valves of peripheral economies which we noted earlier could not work sufficiently to counteract them. Moreover, the regime had lost the confidence of international capital. Arms could still be had from Israel, if not directly from the USA, but the International Monetary Fund refused more loans. In this situation the FSLN felt it could launch its last manoeuvre in the seizure of power. In a new wave of combined political

and military action in June and July 1979 the major provincial towns fell to it and Somoza threw in the towel and fled abroad. Yet even then the metaphorical entry through the gates of the presidential palace was a qualified triumph for the vanguard. In a last flurry of negotiation the biggest capitalists almost succeeded, in conjunction with the US government, in getting rid of the Somoza group but keeping the Liberal Party and a purged National Guard. This failed, but the capitalist interests were still there, and they had reason to believe they might still have access to the new power bloc, membership of which the FSLN leaders were forced to share with their very broad range of partners in the revolutionary bloc. Thus, in the new provisional council of ministers the portfolio for economics went to a former Secretary-General of the Central American Common Market and that for finance to an associate of the Banco de America group.

The socialist-inspired vanguard had finally come to power, but in very particular circumstances in terms of the subsequent launching of policies directed towards a socialist transformation. The FSLN stood at the head of a revolutionary bloc which had finally been formed very late in the struggle and contained class elements which were anything but inclined to socialism. It follows from this that the organisation which gave structure and cohesion to the bloc was minimal, basically only an umbrella under which anyone who wanted to be out of the Somocist storm could shelter. Similarly, the common ideological position of the bloc had to be broad and vague - and hence minimal - enough to satisfy all elements. Last, but by no means least, the circumstances in which the bloc had finally been formed left it open to the anti-socialist elements to claim that they had been

given either explicit or implicit assurances by the Front that their economic positions would be assured after victory. The way was open for a very complex political situation to emerge at the conjuncture when the Sandinist leaders judged it opportune to begin to put forward an explicitly socialist line.

Ken Post
Institute of Social Studies

FOOTNOTES

1. A much more lengthy theoretical exposition of this hypothesis forms Chapter II of the book I am now writing with Phil Wright, entitled 'Socialism and Underdevelopment.' Conjunction and conjuncture are dealt with at length in Ken Post: Strike the Iran (Atlantic Highlands, N.J.: Humanities Press and Institute of Social Studies, 2 Vols. 1982).
2. A useful brief summary of early history is in NACLA'S Latin America & Empire Report, Nicaragua special issue, X, 2 (February 1976), 4-5. For further detail see Jaime Wheelock Roman: Imperialismo y Dictadura Mexico City: Siglo XXI, 1975), Chapters I-III, and Edelberto Torres Rivas: 'Sintesis Historica del Proceso Politico,' in Torres Rivas and others: Centroamerica Hoy (Mexico City: Siglo XXI, 1975).
3. See Neill Macaulay: The Sandino Affair (Chicago: Quadrangle Books, 1967).
4. For a provisional list see the special issue of NACLA'S Latin America & Empire Report referred to above, 36-38.
5. NACLA'S...Report, 20; Harald Jung: 'Behind the Nicaraguan Revolution,' New Left Review, 117 (September-October 1979), 72.
6. All concrete data used here are drawn from the two items mentioned in note 2; see also Wheelock: Imperialismo y Dictadura, Chapters V and VI, and H. Jung: Nicaragua: Bereicherungsdictatur und Volksaufstand (Frankfurt: Verlag Klaus Dieter Vervuert, 1979), 54-71 and 76-81.
7. The middle strata, it should be noted, do not constitute a class in themselves, since they do not have a distinct relationship to the means of production

and control of labour power; in this they resemble most of all the working class, since they sell their labour power to live. On the other hand, their labour power serves different purposes in the production and realisation of surplus value. Nor should they be merged with the petty bourgeoisie in one class, as most Marxists classify them, since they do not owe their living to even the petty property represented by tools, raw materials or a stock of trade goods. It should be recognised that their position and class status are complex and controversial: for further discussion see Ken Post: Arise Ye Starvelings (The Hague: Martinus Nijhoff, 1978), 98-103, and Strike the Iron (Atlantic Highlands, N.J.: Humanities Press, 1981), Volume 1, 25-26.

8. Fausto Amador: 'The Deepening Crisis of the Somoza Regime,' Intercontinental Press, 16, 39, 16 October, 1978, 1129.
9. Fausto Amador: 'The Rising Opposition to Somoza's Dictatorship,' Intercontinental Press, 15, 44 (28 November 1978), 1315.
10. See NACLA'S America...Report, special Nicaragua edition, 18 and 22.
11. E. Laclau: Politics and Ideology in Marxist Theory (London: New Left Books, 1977), 100-11. For a critique see Nicos Mouzelis: 'Ideology and Class Politics: A Critique of Ernesto Laclau' New Left Review, 112 (November-December, 1978).
12. Figure from Roger Burbach and Tim Braimin: 'Nicaragua's Revolution,' NACLA Report on the Americas, XIV, 3 (May-June 1980). 5.
13. Amador: 'Deepening Crisis,' 1130.

14. There is a useful summary of 'Major Opposition Movement Since 1944' in NACLA'S Latin America...Report, special Nicaragua issue, 26-27; for further detail, especially on the labour movement, see Jung: Nicaragua Bereicherungsdictatur und Volksaufstand, 84-87.
15. For details see NACLA'S Latin America...Report, special Nicaragua issue, 23-24.
16. On the UDEL see ibidem, 29-30, and Jung: 'Behind the Nicaraguan Revolution,' 77 and 79.
17. The following account and analysis are based primarily on Jung: 'Behind the Nicaraguan Revolution,' and Nicaragua: Bereicherungsdictatur und Volksaufstand, 115-152; Amador: 'The Deepening Crisis of the Somoza Regime,' 'The Rising Opposition to Somoza's Dictatorship,' and 'Why Upsurge in Nicaragua Failed to Dislodge Somoza,' Intercontinental Press, 16, 24 (19 June 1978); and Fausto Amador and Sara Santiago: 'Where Is Nicaragua Going?,' Intercontinental Press, 17, 22 (11 June 1979).
18. 'Our programme, a necessary discussion,' Unidad Revolucionaria, 3 (1977), 47, quoted in Amador: 'Why Upsurge in Nicaragua Failed,' 743.
19. 'Concerning the Broad Anti-Somoza Front,' Lucha Sandinista (April 1978), 9, emphasis in the original, quoted in Amador: ibidem, 745.
20. 'Present situation and our tasks,' Causa Sandinista, 2 (1978), 6, quoted in Amador, ibidem.
21. The original Indian population had a long tradition of resistance to the colonial government and its successors: see Jaime Wheelock Roman: Raices indigenas de la lucha anticolonialista en Nicaragua (Mexico City: Siglo XXI, 1974), though this deals only with events up to the late nineteenth century. (Wheelock, incidentally, was the leading figure in the 'proletarian' FSLN faction.)

22. For an account from the FSLN side see Gabriel Garcia Marquez: 'Sandinistas Seize the National Palace', New Left Review, III (September-October 1978).
23. FAO Political Commission, quoted in Amador: 'Where Is Nicaragua Going?', 581.
24. See 'Communique to the Nicaraguan People,' announcing the FSLN unification, Latin American Perspectives, VI, 1 (Winter 1979), 127-28.

ECONOMIC PROBLEMS IN THE ANALYSIS OF
TRANSITION IN NICARAGUA

E.V.K. FitzGerald
Institute of Social Studies
The Hague, Netherlands
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1. General

- 1.1 These notes are no more than 'paragraph headings', and not a complete treatment or paper. Their structure reflects the way in which the 'transition debate' is now being carried on in Nicaragua as well as my own (academic) viewpoint. This debate is obviously influenced by the development of events themselves, not just prescriptive principles.
- 1.2 It should be remembered that the nature of transition is not determined in Nicaragua, nor even within Central America; US intervention a decisive factor (as in Cuba), and thus 'defense of the revolution' itself may become an over-riding and distorting factor in transition.
- 1.3 I shall not attempt to define 'transition to socialism', particularly since Nicaragua attempts to build a new kind of democratic socialism. Note since 1950, attempts at construction of socialism have taken place in small, open, highly dependant, export-agriculture economies (Cuba, Mozambique, Viet Nam etc) with special conditions of integration to world economy, large peasant sector, etc (see special 1981 issue of World Development on this), so that relations of exchange are as important as those of production.
- 1.4 Special history of Nicaragua (Sandino, Somoza, USA) and FSLN (Long guerilla war, work with popular organisations at grass roots, many uprising, tactical alliances, etc) conducive to strong anti-imperialism (from whatever source) and determination to achieve popular democracy.

2. Transition Debate

- 2.1 First plan (Programa de Reactivación en Beneficio del Pueblo, 1980) identifies the immediate aims of

the new 'transition economy' as being

- a) reactivation of the war-torn economy, satisfying the basic needs of the 'people of Sandino'
- b) advance towards economic independence;
- c) start a process of accumulation and economic restructuring and 'initiate the transition to the New Economy' (ie. socialism)

The new economy not clearly defined, initially, except that must (p 80) 'permit a just, free and fraternal human life', 'democratization of the state apparatus', increasing popular participation' the 'building not only of a New Economy but also of a 'New Man'. By 1981 (Programa de Austeridad y Eficiencia, 1981) objectives and problems had become clearer, nature of the 'mixed economy' began to be outlined, agrarian reform gradually defined, conflicts of consumption and accumulation and/or economic stability apparent, etc. Despite problems debate goes on.

- 2.2 The debate itself takes place around specific issues (such as agrarian reform) rather than in general 'ideological terms', partly because of a lack of tradition of 'intellectual' or 'platform politics' but mainly because of shared aims and recognised obstacles. The main objectives (mixed economy, popular participation, non-aligned international position, agrarian development etc) long since agreed upon , it is the 'path' that is under discussion. A lot has been learned from other experiences such as Chile and Cuba - mainly of things to avoid, such as inflation and excessive public ownership.

3. Development of the Economy

- 3.1 Destruction and (more importantly) dislocation of war mainly past, but difficulty of regaining former

levels of production underlines need for structural change; economy inadequate for new national needs (basic consumption) and international circumstances (collapse of Central American Common Market); period of massive foreign financial assistance closing; success with literacy, health, food crops points way to popular mobilization around production of basic needs.

3.2 Economic debate centres around balance between the 'three sectors' (Kalecki)

- A) means of production (capital growth, production inputs, energy, (construction materials) which are mainly imported and thus must be paid for by (mainly agrarian) exports produced by APP and private sector, marketed by APP).
- B) non-basic consumption (manufactured goods, services etc) which is foreign-exchange intensive and concentrated in top quartile of population, produced in the 'capitalist' (including APP) sector;
- C) basic needs (food, health, education, housing, public transport, clothing) produced by peasants, popular movements and government.

Obvious implications for income distribution in the balance between consumption and accumulation (including closing external gap) on the one hand (A versus B and to some extent C) and between different income groups (B versus C and country versus towns) on the other, of different sectoral balances.

3.3 Desire to avoid Cuban experience of capital-intensive welfare which prevents productive accumulation and limits popular participation, plus obvious limitations of executive capacity of the state and size of peasant economy, lead to decentralization of basic needs provision (C); this will be permanent feature

of transition. Limitations of exports in medium term (exhausted mines, renovation of coffee, cotton ecology), new projects take time, pressure of internal consumption (sugar, timber, meat, fish, milk), deteriorating external terms of trade make investment in export sectors urgent but costly, only APP able and willing to carry this out. Non-basic consumption should be reduced as part of income-redistribution strategy, but this meets middle-class resistance (and Nicaragua cannot afford to lose technicians) and even affects urban proletariat (small but socially important). Realisation that economy will not return to former output of productivity without structural change makes more urgent and more conflictive.

- 3.4 Economic organization of state sector in central transition theme. Shift from ideas of central planning towards 'cálculo económico' in 1980/81; use of banking system for information and control; need to maintain macroeconomic stability to prevent speculation and destabilization forces tax reform, APP surplus (where possible), limited welfare budget (reinforcing popular mobilisation); constant awareness of executive limitation of state itself (experience of three years of APP); repeated efforts to control bureaucratic expansion.
- 3.5 Mobilization of surplus not to be based on internal terms of trade (peasants, artisans) as against income-distribution objectives (poorest) and anyway ineffective because foreign exchange is needed for accumulation; thus raising labour productivity in 'modern' sector the only way. Industrialization limited by present inadequate base, small market, collapse of Central American Common Market. Thus accumulation to centre on agriculture, producer of exports (Sector A) and wagegoods (Sector B); manufacturing in support of agriculture, basic needs (textiles,

construction materials); urgent need for domestic energy supply (hydro, geothermal) to reduce on dependency. Possibilities in timber, mining, fishing; but with limited coffee and cotton, expansion in sugar and livestock at Nicaragua is essentially a land-surplus labour-short economy.

4. Social Reform

4.1 Four forms of production' exist:

- a) state modern-sector enterprise (export agriculture, industry, foreign trade, banking, wholesale trade, public transport, energy, etc).
- b) private capitalist producers and merchants
- c) cooperative's of production and services
- d) petty producers and traders (peasants, artisans, retail shops, etc).

Present balance of output and employment is approximately as follows (in 1981):

	<u>Production (GDP)</u>	<u>Employment (EAP)</u>
A.P.P. & Government	34%	23%
Capitalist	38%	28%
Small scale & Cooperative	28%	49%

The future balance depends upon two factors not strictly under control - the willingness of capitalists to go on producing, and the enthusiasm of peasants and artisans for cooperativisation.

But APP is to be 'consolidated' rather than expand enormously - absorbing key (large) capitalist units and releasing small units to cooperatives. Obviously, maximum feasible APP/^{and Government}would be (say) 50 % of production and 35 % of employment; so this, for structural reasons, would remain a mixed economy.

- 4.2 Particular problems of articulating terms of production. APP is not rationally constructed (just inherited from Somoza) and must be reoriented (eg textile and chemical industries); large private sector decapitalising and must be stopped; merchants speculating and exporting capital; all this within modern sector with limitation of executive capacity. Negotiations with MNC's towards joint ventures with APP proceeding well. Articulation with cooperative and small-scale sector through market relations (inputs, marketing, bank credit) needs great care to avoid either suffocation or 'peasant differentiation'; this conditions the possibilities for popular participation.
- 4.3 Changing relations of production and exchange require greater worker/peasant control, at least of firm/locality/region/country, over relevant decision centers. Most progress in localities (barrio, municipio) with basic needs (education, health, food distribution)^{and mass mobilization}; progress at enterprise level limited to worker assembler and strengthening of trades unions; COIP still being restructured, INRA still forming enterprises themselves. More progress in cooperation (food) and national worker/peasant organizations at a regional level. Danger of producing privileged minority in state enterprise (only 34 % of workforce); an appropriate form of worker participation still not clear.

- 4.4 Special problems of 'middle classes'. State itself has bureaucratic class which aspires instinctively to social control; living standards of doctors, engineers etc threatened by import controls; medium merchants very influential and being squeezed out during transition; these three groups closely limited by family ties;
- 4.5 Aggregate problems of town and country. Transition model favours country in terms of production, prices and wages, infrastructure, social reform, etc.; towns (including much of middle class, industrial proletariat and slum-dwellers) will have stagnant or even declining real incomes as towns of trade favour agriculture, social facilities are reoriented, and investment centres on agriculture and energy. Some back-migration expected but severe social strain will result.
- 4.6 Economic planning also a social relation of production gradually replacing capitalist irrationality; market tools will be used for the non-state sector (pricing, credit, purchasing etc); financial controls and centralised accumulation (but not production) decisions in APP. Problem of economic versus moral incentives in enterprise operation and labour productivity still not resolved.

5. Agrarian Reform

- 5.1 Centre of economy, dominating production, exports and employment. Main source of accumulation funds (exports) and wagegoods (food); also centre of future accumulation. Present land allocation about half to each, with balance moving towards food; labour force is semi-proletarian operating in both.

- 5.2 'Industrialization Debate' of (say) Russia is replicated within the rural sector in emphasis on exports (accumulation) or food (consumption), and to some extent on state enterprise versus peasant cooperatives (but not clear-cut). Medium-term concern with export 'plateau'.
- 5.3 Rural labour force neither worker nor peasant; seasonal cycle of activity. Initial fear of overall labour shortage and thus INRA resistance to 'peasantization'; but now this not seen as immediate problem, but rather one of wages, mobilization etc. Distribution of land to sub-proletariat and cooperativization linked to export estates going forward.
- 5.4 Expropriation of large farms only, based on inefficiency in use; allocation to APP or Cooperative depends on agrarian development plan for the area. Financial incentives to cooperativisation. Long-run objective of complete cooperativization with minority (efficient) state sector.
- 5.5 In longer run, capitalization of export agriculture planned, mechanizing cotton, mining to land-intensive labour-saving sectors (livestock, sugar) , holding labour in small towns through social facilities etc to face labour shortage; peasant production to be raised in efficiency with fertilizers, seeds, storage, etc.; the two articulated on a regional basis.
- 5.6 Separate organizations of ATC and UNAG and their progressive strengthening as a checknot only on capitalist farmers but also on the state itself.

- 5.7 Industrialization centred on agrarian reform, supporting it by inputs (chemical, fertilizers, tools, equipment maintenance, rural consumer goods, construction materials) and processing more of output; agroindustrial growth poles and commercial centres for peasant agriculture.

6. Transition in a Single Country

- 6.1 Nicaragua is small, technologically dependent, with open frontiers, very close to the USA.
- 6.2 Small size limits industrialization potential, implying that only with stable progressive regimes in Central America is long-run development possible. Any industrial plan must have some assumption about El Salvador, for example.
- 6.3 Technological dependence implies reliance on other large economies; existing technology US-oriented; possibilities of Western Europe and Japan, even Mexico/Brazil.
- 6.4 Open frontiers mean that a wage/price system very different from (say) Costa Rica is very difficult to apply without 'movements' of goods and labour; close social contacts, communication networks, etc.; these present a very real constraint on economic and social reform.
- 6.5 Finally, the US has no interest in a successful transition in Nicaragua, and tends to destabilize it, because it would be a 'bad example' to the rest of Latin America, quite apart from its geopolitical significance.

E.V.K. FitzGerald

THE NICARAGUAN TRANSITION STRATEGY :

TRANSFER MECHANISMS AND THE POLITICAL ALLIANCE

Ruud Ruben
Free University Amsterdam
Department of Development
and Agricultural Economics
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(Contribution for the Seminar on 'the transition strategy of
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NICARAGUA-Seminar

The Nicaraguan transition strategy : transfer mechanisms and the political alliance

1. After the victory of the Frente Sandinista de Liberación Nacional (FSLN) in Nicaragua, the new economic policy is directed towards initiating an autonomous, national directed development process within the framework of a mixed planned economy.

In the short term, the economic policy focusses on the reactivation of the economic process (economic rehabilitation, repair of the damaged production capacity, provision of the population with basic needs, creation of employment). This reactivation process makes use of the already existing overcapacity. Especially those sectors, which are important because of their contribution to reconstruction (building), foreign exchange earnings (agrarian exports to finance necessary imports of food, medical equipment, industrial inputs and machinery) and domestic popular food provision, receive priority in the reactivation process. ("reactivación de la economía en Beneficio del Pueblo").

The improvement of the living standards of the mass of the population is another central focus of the government reactivation policy. The increase of employment opportunities and the better working conditions give rise to a sharp growth of the total wage-sum and a lowering of labour-productivity. Since higher wages will lead to an inflationary pressure because of the shortage of wage goods, the only short term solution can be a real improvement of living standards in non-monetary sense, e.g. by means of greater availability and access to social and collective services (education, health-care, transport, water) - the so-called 'social wage' - and by means of increased popular participation in management and execution of the economic programmes ('moral incentives').

2. The reactivation policy encounters its limitations in the historical development of the structural characteristics of the Nicaraguan economic structure. The most important structural impediments, which restrict a more autonomous directed development strategy are :
 - unbalanced structure of production (few linkages)
 - the dependency on foreign trade
 - dualistic structure within the agricultural sector
 - high level of migration and urbanisation; regional isolation
 - high levels of unemployment and underemployment (urban informal sector, rural seasonal employment)

- unequal distribution of income and property (unbalanced structure of domestic demand)
- shortages in financing government expenditures, investment and imports
 - intensified by the personal enrichment practices of Somoza - which had to be covered by foreign lending (public debt) and domestic money creation (inflationary impact).

To overcome these structural impediments for economic development, a programme of transformation of the economic structure will be executed. The basic objectives of this transformation process focusses on the initiation of a national oriented process of capital accumulation (further and more equal development of the production forces; national integration of the production structure, diversification of trade dependency), with a simultaneous revision of the production relations (employment opportunities, income distribution and working conditions), within the context of a transition of political relations, ownership relations and organizational forms of production.

3. The most basic problem of all transition strategies concerns the dilemma between accumulation and consumption and the connected debate about priority to the agricultural or the industrial sector (Feldman's theory of growth; Preobrazhensky).

In small socialist developing countries the transition strategy has to incorporate the foreign trade sector. The accumulation process in these types of economies can make use of the 'potential surplus', incorporated in imported luxury consumption, the unequal distribution of incomes and economic losses connected with foreign trade (transfer prices, deterioration of the terms of trade, etc.), to finance the development process.

The state will be the central institution to control and direct the surplus utilization process, according to the objectives of the national development planning, and within the limits of financial integrity, by means of its control on the material production conditions (marketing, credit provision and inputs).

4. Within the Nicaraguan transition strategy, the agricultural sector will accomplish a major function. The development of the agricultural sector is important because of its important functions in the domestic food supply and employment creation, and its contribution to financing of economic development. Within the agricultural sector, a large-scale capital intensive export sector (cotton, coffee, sugar, meat) - predominantly in the hands of

big private farmers, processing industries and the state - contributes to foreign exchange earnings, while a small-scale labour-intensive food producing sector (beans, maize) - in the hands of a great number of small campesinos - provides for the domestic food supply. This dualistic nature of the agricultural sector is a result of the historical development of the Nicaraguan export model, based on monopolization of resources and a great availability of cheap labour. Between the different objectives of the transition strategy exists a certain kind of conflict; a simultaneous realization of the objectives of financing economic development (which means : stimulation of the agricultural export sectors) and domestic food supply and employment creation (which means : stimulation of the food producing sectors) is almost impossible, both in social-economic respect as well as in political respect.

5. The economic contradictions between the promotion of export-crops or food crops refer to the classical dilemma between accumulation and consumption (see 3.). In the short term export crops are necessary for the promotion of foreign exchange (to finance necessary imports), but on the other hand, there is an increase in domestic food demand, caused by more employment, higher wages and general rising expectations. Conflicts arise in terms of investment and credit - allocation, inputs availability, labour supply (stimulation of food production by means of land reform restricts the labour-supply in the harvest-season of the export sector), price policy, regional policy and intersectoral linkages.
6. In the Nicaraguan economic planning the state acts as a 'mediator' between these different positions. Within the framework of a mixed planned economy (80% of the production-capacity is in private hands), the state only controls the central positions in banking, foreign and domestic trade and input distribution. By means of indirect-mechanisms, the state controls the circulation and accumulation spheres and performs a major function in the direction of the surplus utilizing and transfer process. The options available in the Nicaraguan economic policy in this respect are the following :
 - a) direction of the flow of funds; the agricultural export sector can be used to finance necessary imports, and government expenditure for rural collective and social services. By means of this structure an indirect transfer from the export sector to the food producing sector will be possible, without any inflationary impact.

- b) trade strategy; food self-sufficiency (will be reached in 1982) and 'diversification of export dependency' (by regions, by products) are the central guidelines for the foreign trade strategy. In the longer run a strategy of export substitution and food exports will be designed to escape from the dependency problem facing all small developing countries.
- c) agrarian policy; by means of a policy of 'price scissors' (controlled prices of inputs and outputs) the state has an indirect control on the agricultural surplus. This policy is supplemented by a differential application of other instruments (credit, land rent) to different types of farmers.
- d) regional development programs to incorporate the more marginal zones of the country in the national economic development process (and in the political process). The expansion of the colonization program and connected infrastructure is part of this process.
- e) labour-policy; uniform labour conditions have been introduced to protect wage labour.
- f) popular organization, to strengthen the power positions of the working class, to incorporate the population in the planning process and the management of enterprises and as an 'instrument' to guarantee the cooperation of the private sector.

In general, the most important problem facing the state is its 'relative autonomous' position, which will cause a tendency towards a fiscal crisis (negative budget balance), because of the small direct productive role of the state and its limited control on private savings and investment. This will act as a pressure towards further nationalization.

7. The solution to these economic dilemmas is of great importance for the political alliance underlying the Nicaraguan revolution. The political alliance is a result of the historical process of economic development in Nicaragua, based on an agro-export model with a high level of proletarianization, which generated the material conditions for a coherent worker-peasant alliance. Proletariat, semi-proletariat and sub-proletariat (together more than 80% of the rural EAP) are organized in one single organization (ATC).

The consolidation of this alliance and the incorporation of urban groups in it, rests on the state's ability to meet the economic, social and political demands of workers and peasants and on the spreading of benefits available to different sectors of the alliance.

The material conditions for cementing the broader worker-peasant alliance depend on the successful managing of the internal terms of trade between the rural and the urban sectors. Simultaneously the urban food supply (at reasonable prices) and the rural availability of capital goods (to increase productivity) and industrial consumption goods (to motivate for surplus production) has to be achieved in the sense that no 'unequal exchange' exists. This dilemma is being managed, not by using food output-prices as an instrument (because of the inflationary impact), but by improving agricultural production conditions (credit, input distribution, land rent, extension). In this way, a rural productivity increase (financed by the state) can simultaneously bring about higher food production at stable prices (constant workers incomes) and higher peasant incomes.

Ruerd Ruben

February, 1982

NICARAGUAN AGRARIAN REFORM ,
CONSTRAINTS AND POLICY-OPTIONS

J.P. de Groot
Free University Amsterdam
Department of Development
and Agricultural Economics
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NICARAGUA

Agrarian Reform, constraints and policy-options

Constraints with respect to a further process of land-acquisition for land reform:

- political : opposition of group(s) of landowners affected by new land reform measures
- financial : the need to compensate landowners who will be affected by such measures
- economic : through land distribution less (seasonal) labour available for export crops
- managerial : the Government already has to run production in 20% of cultivated area.

The political constraint presents a real dilemma.

On the one hand side landless labour and minifundistas are pressing the Government to distribute land. Land that for long was withheld them by a landowner-entrepreneur class, producing for export markets, that by monopolizing landownership and land-use assured themselves of the availability of seasonal labour. Land occupations, now checked by the Government, bore clear evidence of this popular claim.

At the other side, the Government already confiscated the land of the Somoza-clan and collaborating landowners. Further land reform will alienate landowner groups, the Government still hopes will participate in the reconstruction and development process.

The specific role of this landowner - entrepreneur class is in providing the foreign - currency the country desperately needs. For the present, land belonging to this class cannot be affected.

Still a large proportion of private land (80% of total), and certainly the best and irrigated part is in the hands of this landowner-entrepreneur class. The transition process requires a further land reform.

Development cannot be thought of leaving aside the best land resources of the country, neither can one think of development without changing the production relations, especially land-ownership.

The financial constraint

Land of landowners associated with Somoza was confiscated, remaining landowners who participated in the opposition, or at least did not support Somoza, should receive some form of compensation for land affected, there is, however, not much room in the Government budget

for compensation payments, several nationalized banks, hospitals, schools; moreover are awaiting compensation payments. The capacity to compensate landowners is thus very restricted.

The economic constraints

As indicated, production in the export sector is based on withholding the rural masses access to the land and other productive resources, in order to assure the availability of cheap labour, especially for harvesting of export crops. It should be clear from the artificially created labour supply that the factor mix in this sector does not reflect real factor availability relations. Relatively too much capital and too much seasonal labour seems to be concentrated especially on cotton farms. But as this has been the case since 1950, productivity has increased, net production values are high in this sector. Distribution of land, credit, inputs to small farmers and landless labour automatically will reduce the labour supply for export crops, moreover seasonal labour migration from neighbouring countries already stopped. Distribution of productive resources will promote food-production for local consumption and for the internal market. Eventually some surpluses might become available for export. For the time being it will not be so easy to reach productivity levels, net production values, comparable with export crops. Though the production relations in the present export agriculture must change, this cannot be realized very quickly, in order not to endanger this source of foreign exchange as long as it is needed.

The management constraint

The confiscation of land that belonged to the Somoza clan and associates extended state ownership to one fifth of total agricultural land. The running of state- and collective farms, to suddenly and on such a scale, and the channeling of increasing credit, technical assistance, organization resources to small farmers, clearly exceed Government management capacity in the rural sector. High productivity levels in agriculture need considerable time to be developed. This constraint presently restricts the further take-over of land next to be managed by land reform institutions.

Policies to overcome the constraints

Policy should aim at reducing the dependency of the country on the landowner-entrepreneur class now providing the indispensable foreign currency and generating considerable surpluses.

This policy depends to a considerable degree on the taking-over of these two functions by the state- and collective sector, by the small and medium farmers. Various policy options are available, together, coherently interrelated they should overcome the actual constraints and enable the advancement of the agrarian transition process.

- the introduction of landsaving practices in order to reduce the export crops area, which presently cannot be affected by land reform measures;
- the creation of year round employment in agriculture and increasing the productivity of small farmers, will help to increase wages in the export sector;
- determine minimum wage-levels for seasonal labour in export crops;
- improve living conditions of the migrating seasonal labour in cotton and coffee;
- promote the use and training of voluntary labour in the harvesting of cotton and coffee;
- proper pricing for inputs and capital goods for agriculture, especially those imported;
- providing access to inputs and capital foods for small and middle size farmers;
- promote production of food for the internal market, aiming as well for an overflow to external markets as soon as surpluses can be developed, in order to diversify agricultural exports;
- increase the capacity to run state - and collective farms, in particular cotton and coffee estates, in order to reduce dependency on the landowner - entrepreneur class and to enable additional land take-overs;
- increase the Governments capacity to assist small and middle farmers in rising their productivity levels and net production values, so that the centre of gravity in agriculture can be shifted to other classes of producers and to other crops;
- rent the land from land-owners not interested in continuation of production;
- compensate landowners with bonds, thus postponing and spreading the compensation payments.

J.P. de Groot
februari 1982

TRANSITION WITH PEASANTS

A contribution to the seminar on "The Transition Strategy of Nicaragua"
February 26th, 1982. Free University Amsterdam.
By Kees Blokland¹⁾

"The Russian and Chinese examples, however, also indicate that while such a revolution may be made with the aid of the peasantry, it is not made for the sake of the peasantry." (Eric R.Wolf, Peasants, London 1966, p.109)

"Están sanos y vigorosos, en plena lucha, por ser lo que son en mejores condiciones. Eso sí, están más solos que cualquier otro grupo de la sociedad." (A.Warman, Ensayos sobre el campesinado en Mexico, Mexico 1980, p.10)

¹⁾ Economist. Institute for Social Science Research in Developing Countries,
The Hague, The Netherlands.

In the context of the general discussion on the transition strategy of Nicaragua, I would like to deal with the aspects concerning the agricultural sector. To make my position clear, I shall briefly make a few remarks on some central characteristics of the agricultural sector. As a point of departure, I present table 1.

Table 1. Influence of the government in the agricultural sub-sectors

	area x 000 manz.		Other major mechanisms of control
	'80-'81	APP	
cotton	135	23	export trade through the state organization, ENAL
sugar	62	26	5 out of 6 sugar plants are nationalized; export trade through the state organization, ENAZUGAR.
coffee	134	17	export trade through the state organization, ENCAFE.
cattle	4.100	493	75% of the abattoirs are nationalized, export trade through the state organization, ENCAR
corn	340	--	--
beans	150	--	--

Source: K.Blokland. De agrarische sektor van Nicaragua; beschrijving en beleidsopties. Amsterdam, 1981)

This table shows that the government has influence on the production decisions in most of the important sub-sectors, either through land property (APP), or through trade and processing. Only the cultivation and distribution of corn and beans break away from the influence of the state. In an evaluation of the agricultural sector the government remarked on this issue: "ENABAS (Empresa Nicaraguense de Alimentos Básicos) no tenía el conocimiento ni la experiencia suficiente para desplazar al comerciante tradicional..." (El sector agropecuario, Managua 1980, p.36). Simplified, one could state that the government has control over the production decisions in the agricultural export sectors, but not over those in the sectors that produce food crops for home consumption.

The farmers who cultivate corn and beans are mostly peasants (campesinos). There are two categories of peasants. The first primarily produce for their own consumption. They sell part of their corn harvest and work for big landowners and coffee and cotton producers, to earn a cash income.

The second category are peasants who besides food crops also cultivate cash crops, coffee and cotton. The first category is mainly to be found in the eastern regions of the country (Costa Atlántica, Frontera Agrícola). The second category of peasants make up the so-called "Cordon Minifundario" found around the cities in the western areas. (J.Wheelock, Apuntes sobre el desarrollo económico y social de Nicaragua, Managua without date, FSLN).

To elucidate the question of the minimum state control over the corn and beans subsectors, one has to review the discussion on land reform. The government has four principal arguments for being reluctant in continuing the land reforms. (Blokland, op.cit. Summary, 1981). One of the arguments is that radical land reform is politically undesirable. It would force the government into nationalizing lands of farmers who did not play a major role in keeping Somoza in power, and who often supported the revolution. From the point of view of the peasants, this group of farmers is the class of exploiters. The group consist of the farmers on whose lands they earned hunger wages. The same farmers are moreover shopkeeper's and truckdrivers and control the prices in the villages and therefore the income

of the peasants. In this class one finds the 'comerciante tradicional' who could not be displaced by ENABAS.

If it is politically undesirable to affect the middle class farmers in a land reform program, then it must be equally undesirable to affect their strategic trade position.

I now come to the subject of our discussion. An economic transformation in Nicaragua starts from a situation in which the structure of the agricultural production is oriented towards the production of export crops. These crops generate most of the foreign currency.

In view of the central place export crops have in the Nicaraguan economy, in view of the minimum control the government has over production and trade of food crops and the political reluctance to gain control over trade of corn and beans, it seems obvious that government attention is first of all directed towards export crops. Thus, the agricultural export sector keeps on receiving most of the financial (credits and investments) and technical assistance. The major part of the inputs will go to this sector and most of the technological research will be on crops this sector produces. The corn producers, especially the peasants producing mainly for family consumption, will be attended indirectly, i.e. with money the government withdraws from the surplus generated in the sector of agricultural export crops, and which need not to be spent to pay off the foreign debt or to build up the army. (see also R.Ruben, *Agrarische hervorming in Nicaragua*, Amsterdam 1981, p.17)

The viability of this strategy in the light of a transition to a socialist society --albeit a 'pluriform socialist society' (Gorostiaga)--will be examined by evaluating the role of the peasants in the economy: The production conditions of the peasants are often described in terms of a "peasant economy", which then is confronted with the capitalist economy. In discussions on the question whether one deals with a different mode of production, the view has been gaining ground recently, that the organization of the peasant production does differ from the organization of capitalist large scale farms, but that the peasant economy is not a different mode of production[@] It is merely one of the manifestations of capitalism in the countryside. The existence of a peasant economy therefore cannot be explained by saying that capitalism has not expanded far enough into the countryside. On the contrary, the peasant economy is an aspect of capitalist expansion in the countryside.

This point of view repudiates the idea that capitalist development in rural areas will be accompanied by proletarianization in a strict sense and the disappearance of the peasants. Warman (op. cit. p.10) remarks: "Hasta los críticos del avance del capitalismo coinciden, con frecuencia inusitada, en que su desaparición no sólo es inevitable sino que sería muy saludable", (see H.Ruiz, cited in: Ruben op.cit. p.23), and "...En ningún caso los encontré dispuestos a morirse como grupo. Están sanos y vigorosos, en plena lucha, por ser lo que son en mejores condiciones. Eso sí, están más solos que cualquier otro grupo de la sociedad". Being incorporated in the capitalist system, the peasants contribute to the capitalist accumulation. The peasants are the seasonal workers on the coffee and cotton estates, but the wages they earn do not provide for full reproduction of their labour force. The peasant himself provides for part of it by cultivating corn

[@] see e.g.: S.Silva, in: P.Singer, *Capital e trabalho no campo*, Sao Paulo, 1977, p.10. and, L.Paré, *El proletariado agrícola en Mexico*, Mexico 1977, pp 36 and 37.

and beans. Thus, by selling his labour force, but also by selling his corn or cash crop, the peasant transfers value to other parts of the economy. (see also, Blokland, a.o.; Enkele aspekten van de agrarische sector van Mexico, Amsterdam 1979, p. 30).

The strategy described (i.e. indirect attention for peasants) repeats on a national level the policy of international capitalism towards the developing countries; giving tips with one hand of what they took with the other.

Capitalist development will not lead to the disappearance of the peasants, nor will socialist development be able to dispose of the peasants in a capitalist way. They have a right to become full members of the new society. Direct action is needed to achieve "ser lo que son en mejores condiciones". Improving their living conditions means affecting the surplus of the agricultural export sector and this can only be achieved by affecting the rural power relations.

An additional political argument shows the long term viability of this alternative strategy: A deterioration of the living conditions of the peasants in the long run, in an effort to proletarianize them, will make the eastern peasants puppets in the hands of enemies of the revolution. At the moment, defence against foreign aggression has high governmental priority. To counter the spread of destabilization from the Costa Atlántica into the Frontera Agrícola, an improvement of the living conditions of the peasants in that region emerges again as a priority.

The Hague, February 1982
CB.

CREDIT AND GROWTH OF SMALL SCALE

FOOD PRODUCTION IN NICARAGUA

Jos Algra & Luud Clercx
State University Utrecht
Institute for Cultural
Anthropology
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Jos Algra

Lund Clercx

CREDIT AND GROWTH OF SMALL SCALE FOODPRODUCTION IN NICARAGUA

COMPARED to industry agriculture shows some outstanding seasonal peaks in investment of labour and capital, and the time between planting (investment) and harvesting is comparatively long. Therefore, the demand for credit is relatively high. Agriculture, however, has a low organical composition of capital, is less profitable than industry, and carries many uncertainties with it (crop failures, price fluctuations etc). Furthermore there exists an unequal exchange between industry and agriculture, and means of production (land) are highly immobile, which obstructs shifting capital to the most profitable sectors. Therefore, private banks show little interest in extending credit to agriculture. In particular scattered small scale agriculture is not solvent with regard to commercial criteria and it takes high administration costs.

This situation was reflected in pre-revolutionary Nicaragua. In 1970 governmental institutions accounted for virtually all agricultural credit; 70% was extended by the Banco Nacional de Nicaragua (BNN) and 12.8% by the Instituto de Fomento Nacional (INFONAC). The Rural Credit Program, designed mainly for small scale food production, accounted for just 11.2% of BNN agricultural credit. (Ramírez 1972: 1 - 2). Credits for maize, rice, beans and sorghum covered less than 15% of the total areal of these products. (ibid., p. 29). Most agricultural credit was extended to large scale agro-export farms, cotton taking the lion share.

The main source of credit for small farmers were private traders and estate owners (informal or non-institutional credit). The main aim of this type of credit was to ensure supplies of cheap food for the rural working class, and to keep small farmers dependent so they would continue working seasonally on the big estates. Extension of commodity production raised ground rent and -prices. Capitalist penetration resulted in the classical process of concentration of the land and proletarianisation (original or primitive accumulation). Especially since the rapid growth of cotton production after 1950 this process threatened reproduction of the labour force, and it created an explosive political situation in the country side.

State intervention was called for. The agrarian reform, which was started in 1964, existed merely in some colonisation projects in areas not yet directly penetrated by capitalism for a handful of marginalised farmers and landless

labourers. As tensions grew the Instituto de Bienestar Campesino (INVIERNO) was erected, supported by USAID, to operate in the most impoverished areas. INVIERNO was to dampen extreme poverty, rural-urban migration, and social conflict, without reducing supply of labour. The isolated sectorial approach (capacitation and credit) was bound to fail under the circumstances, and INVIERNO merely supported a selected, relatively wealthy group of "small" producers.

INVIERNO and similar projects were criticised emphatically by the political opposition under Somoza dictatorship (Nicaragua 1978 I: 60 - 106), and the Sandinist victory meant a radical break with this policy.

THE SECTORIAL approach of the past is now being developed into an integral policy, to set in motion a radical transformation of the inherited socio-economic structure. Food production is stimulated in order to reduce the one-sided dependence on export products (mainly cotton, coffee and cattle), to cut food imports and to raise living standards of small farmers, traditionally producing the bulk of basic grains. Since small ^{scale} food production is largely centered in the most pauperised areas, especially Esteli and Matagalpa, it serves to reduce regional inequality as well, and it contains rural-urban migration.

Credit is one of the main instruments to raise food production. Both government and ATC (Asociación de Trabajadores del Campo) emphasize the direct correlation between credit and growth of production. All banks and other financial bodies have been centralised and brought under state control, and the Banco Nacional de Desarrollo (BND) is now the main source of agricultural financing. Credit to small farmers was raised from C\$ 100 million (US\$ 10 million) in 1979 to C\$ 700 million in 1980 (Petras 1981: 84). 64% of the maize areal was covered (MIPLAN 1980: 83 - 150). Credit is closely linked with extension services and technical assistance, granted chiefly by BND and PROCAMPO. Stimulating political consciousness forms part of education, of farmers and workers as well as agricultural officers, and ATC has its own institutes and courses.

Distribution of inputs is largely handled by the Empresa Nicaragüense de Insumos Agropecuarios (ENIA). Of the total marketable output of basic grains in 1980 40% was marketed by the Empresa Nicaragüense de Alimentaciones Básicas (ENABAS). (MIPLAN 1981: 71). ENABAS provides services to private traders to reduce losses and keep up quality. Within a year prices for basic grains were brought under control, thus reducing usurious profits by private traders. The government displays a tight price-policy. It has a considerable share in distribution, through the Corporación Comercial del Pueblo (CORCOP), and ATC set up a network of shops in the countryside. APP share in food production, e.g. 16.9% in maize production (Petras 1981: 82), sustains government control. The new law on agrarian reform contains exploitation of tenants through high rents, sets a limit to land property, and tackles underproductive use of land.

MASS-ORGANISATION is considered essential for mobilisation of all available forces and for deploying government policy. Many changes were actually introduced by mass-organisations. FSLN and ATC for example started the land reform in the liberated areas before the Sandinist victory. By June 1980 ATC membership amounted to 107,000, of which 57,000 were small farmers (ibid., p. 8), nearly one third of the agricultural labour force of 355,000. (MIPLAN 1981: 86). ATC, however, did not succeed in organizing medium-size farmers, who are particularly liable to reactionary propaganda (fear of expropriation of land). This was one of the reasons why the Unión de Agricultores y Ganaderos (UNAG) was founded in April 1981. Both ATC and UNAG are now represented in the Comités de Pequeña y Mediana Producción Agropecuaria and the Comités de Crédito, in which they cooperate with BND and PROCAMPO. All four cooperate with ENABAS, and ATC, UNAG and PROCAMPO are members of the Consejos de Reforma Agraria. ATC is now representing the Cooperativas Agrícolas Sandinistas (CASs; production cooperatives), while UNAG represents the Cooperativas de Crédito y Servicio (CCSs).

In order to be able to serve the high number of small farmers, formation of cooperatives is stimulated. An estimated 70% has joined one of the 2,512 cooperatives by June 1980. (Deere & Marchetti 1981: 56). Although collectivisation is a long term goal, already 15% of the production cooperatives (CASs) has been founded by small farmers. (ibid., p. 55). Confiscated barren lands are extended to cooperatives for food production. Of the 97,400 small producers receiving credit 73,854 were members of a cooperative. (JGRN 1981: 4, 8). Over 50% of these cooperative associates owned less than 2.5 hectares of land. (Deere & Marchetti 1981: 62). CAS members pay 7% interest, CCS members 8%, unorganised small farmers 11%, and big farmers 14%. (ibid., p. 57). PROCAMPO officers, 440 out of a national total of 796, had visited 97,353 farmers by 30th June 1980. 75.8% were members of a cooperative. (MIPLAN 1980: 100, 102).

SO FAR the success of government policy for small scale food production has been impressive. In 1979-1980 agricultural output fell by 37%. (Deere & Marchetti 1981: 52). By 1981 food production surpassed pre-1979 levels. Nicaragua is now virtually self-sufficient with regard to basic grains, although imports are being continued to create strategic stocks and to keep prices under control. Nonetheless present policy raises several questions of which some are listed below.

1. The steep increase of rural credit means a heavy draw on public funds and foreign exchange. In 1981 75.9% of public expenditure was to be supplied by

foreign sources. (MIPLAN 1981: 123). Interest rates on rural credit are by no means sufficient to cover interest on (foreign) loans, administration costs, and rate of inflation. This goes in particular for inputs, which are virtually all imported, and which are increasing because of oil prices (oil being an important element of inputs). ENIA is working with sheer external funds and has to pay 16% interest. (MIPLAN 1980: 112). As for the moment locally available substitutes seem to be limited.

2. Expending large funds on small scale food production might slow down overall economic growth. Small scale food production has a low profitability. This should be carefully weighed against advantages like self-sufficiency and income transfer.

3. There must be a constructive demand for credit. Raising production requires more inputs, which are not yet supplied sufficiently. Farmers in need of new inputs, tools and farming methods to increase production must be instructed how to use them. In 1980 Nicaragua had 796 agricultural instructors and supervisors at its disposal, While the Instituto Nicaragüense de Reforma Agraria (INRA) alone needed some 20,000 - 30,000 for carrying out the agrarian reform. (CIERA/IVO 1981: 3). It will take years to reach anywhere this number.

Deere and Marchetti reported that in some cases credit supply was much higher than what the land could possibly produce at market prices, overfinancing, and part of it might have been used to increase consumption levels. (1981: 62). Especially at the agricultural frontier in the interior infrastructure (roads, marketing facilities etc.) is poor so that increased marketable output cannot be easily marketed which results in possible defaults and indebtedness. (ibidem).

Due to abnormal circumstances in 1980 nearly 100% of working capital and investment were financed by the BND. In 1981 this was to be diminished to a maximum of 64%. (MIPLAN 1981: 40, 144). Producers financing 36% or more will check overfinancing and using productive credit for non-productive purposes.

4. Agricultural unemployment was reduced to 20% (ibid., p. 86), but cotton and coffee harvests (3 months a year) are threatened by labour shortages. These are caused by reduction of the working day, on APP farms by 30%, staying away of seasonal workers from El Salvador and Honduras, much higher levels of school attendance by children (before 1979 an important source of labour), and raised income of small farmers, which reduced the need to supply it through wage labour. (Deere & Marchetti 1981: 60, 63 - 64). This is one aspect of the friction between the (short term) goal of steeping up export production to meet balance of payment deficits and increase accumulation for financing and income transfer, and the (long term) goal of increasing food production, raising income of small farmers etc. This problem affects APP farms, mainly producing export products, most seriously. The APP sector is assigned a central role in accumulation and raising

foreign exchange.

The alternative proposed by Deere and Marchetti to overcome the contradiction between export production and food production, exporting grains to Mexico, Venezuela, Central America and the Caribbean (1981: 70), would demand a further subsidizing of food production since (small scale) food production cannot compete with world market prices. (MIPLAN 1980: 88; 1981: 71). Spreading demand for labour more evenly over the year through crop diversification, especially irrigated rice, offers more perspectives.

5. Reducing unequal exchange and raising income levels of small farmers by paying producers more just prices for food crops affects workers income. In order to protect real wages the difference between domestic purchases and imports was to be subsidised in 1981 to an amount of C\$ 320 million. (MIPLAN 1981: 71). Due to indreasing standards of living of workers and small farmers consumption rises, by 29% in 1980 (ibid., p. 81), which is not being met by increase of production so far. As a result imports of non-prôductive means of consumption and rate of inflation increase, which affects low income groups most.

6. The heavy emphasis on forming cooperatives is successful is one looks at membership increase. A lack of information on the reasons for this policy and low political consciousness among farmers, however, might create resistance on the side of the farmers. The rapid growth of the cooperative movement puts an extensive claim on agricultural instructors for teaching cooperative administrators. As a result the knowledge gap between authorities and administrators on the one side, and ordinary members on the other, might widen. At the same time a growing political consciousness and radicalisation among part of the small farmers might increase their demands. If the socio-economic situation prohibits meeting these demands and farmers are not sufficiently informed on the impossibilities, it will lead to resistance and frustration. In other words, there exists a tension between rapid and slow changes.

7. Although a long term goal, production cooperatives are considered to be the most efficient form of agricultural production by (former) small farmers. It certainly has some economies of scale, but in agriculture organizing labour in large entities hardly ever increases productivity. It is difficult to organize rationally workers who are scattered over the fields. With regard to discipline, the rural family working on a small farm cannot be easily beaten. Productivity of land on small farms is higher than on big estates. If land-labour ratio is low, increasing productivity of land (by more, improved inputs etc.) should prevail. (Ellman 1980: 127 - 132).

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REPORTS OF THE SEMINAR DISCUSSIONS

First theme : Social Class structure and the Politics of Transition
in Nicaragua

Ken Post in introducing his paper emphasizes, that transition is not the same as economic policies, as economic development projects, transition is primarily politics, class struggle and changes in class power. The situation after the 19th July in Nicaragua was defined by the bloc of opposition, that was formed in the revolution, and that because of its composition had a common ideology that could be characterized as broad, vague and minimal. This revolutionary bloc was formed very late in the struggle and contained class elements opposed to socialisme. Deals had to be made with landlords, industrialists and petty bourgeoisie, that makes the post-revolutionary situation very complex. Class struggle must start as soon as possible, as open as possible in order to give a clear orientation to the transition process.

In the discussion it was remarked, that in the paper emphasis was on internal factors, but external factors seem as important as internal ones.

- Without under estimating the external influences, one can say that these external forces work through the internal power bloc. The first thing the Frente Sandinista (FSLN) has to do is to attack, to smash the former allies in the revolutionary bloc, and to re-direct policies in order to develop the political groups, that give a mass-basis to the power-bloc. Such policies include improving the economic situation of workers and farmers. It would be good for example not to speak about the people in general, but of the labouring people. It is impossible to hide, that the actual power bloc, the FSLN, is revolutionary and aims to follow a socialistic road. It would be better quickly to form the socialistic society perceived, as the blockade through the opposition is in the making.

In the discussion it was further indicated that the actual economic situation leaves very little room for alienating the bourgeoisie classes. Their participation is needed in order to improve the living conditions of the masses. Which means that the FSLN should be careful in promoting the class struggle. The external situation also calls for caution (see Chili). In this respect the support of the Frente to the Mexican peace proposal for El Salvador, the announcement of general elections in Nicaragua for 1985, can be regarded as concessions, as gestures to appease external powers. The mixed economy calls for a mixed political situation as well. Research, especially comparative studies, can be a useful contribution of outsiders to Nicaragua.

Second theme: "The political economy of the transition strategy in Nicaragua".

Nicaragua is a small, technologically dependant and, with regard to foreign trade, open country. Furthermore it can be characterized by a surplus of land and a shortage of labour.

The government makes it one's object to:

1. satisfy basic needs
2. reduce (economic) dependance
3. start a process of accumulation and economic restruction and initiate a transitionprocess to socialism.

The agricultural sector plays a central role in the economic development, especially with regard to production (wage goods), exports (foreign exchange/accumulation) and employment.

There are limitations to agricultural exports, e.g. the cotton area decreased because of a) lower prices, b) problems of seasonal employment, c) ecological reasons.

To reduce economic dependance, Nicaragua is trying:

1. to limit and substitute imports, e.g. energy.

The use of diesel (for buses) is not easy to change, as it is some kind of basic need; the same goes for electricity, the use of which will increase because of electrification of rural areas. Petrol gives problems because it is used for the cars of the middle class. Substitutes already available or possible are geothermica, hydro-electricity, solar energy and (although still too expensive because of transportation costs) cottonstraw.

2. to restructure demands (limitation of non-basic consumption).
3. to set up industries in suport of agriculture by inputs and processing of agricultural outputs, and for fullfilling basic needs such as housing or clothing.

The industrialization is limited because of the small market in Nicaragua itself and because of the collapse of the Central American Common Market (CACM).

It is clear that a change in the situation in the rest of Central America (El Salvador) is essential for the future transition in Nicaragua. This stresses the more the importance of the agricultural sector and the agricultural exports (-surplus, not of peasants but of foreign exchange).

This model favours the rural standard of living; the urban standard of living will be stagnant or even declining.

The urban population is predominantly concentrated in one city, Managua, which is shown by the reformulated population figures in the following

table:

	<u>1980</u>	<u>reformulated</u>
total population	2,733,000	2,733,000
rural population	1,311,000	1,752,000
urban population	1,422,000	981,000 (of which 600,000 in Managua)

The reformulation considers rural cities of which the majority of the inhabitants work as agricultural labourer.

The urban proletariat is about 32 % (including civil servants, merchants etc.) of the urban population. When we consider the urban proletariat in the material production it only counts 15 %.

The rural class structure is as follows:

rich and medium peasants	30 %
middle peasantry	9 %
semiproletariat	36 %
subproletariat	17 %
proletariat	<u>8 %</u>
	100 %

With the aim of giving the subproletariats access to small plots of land to become semiproletariats, this class can grow to a total of more than 50 % of the rural economic active population. In this way they (have to) stay available to some extent for seasonal employment on the exportfarms, but with wages based on the fact that they also have to work the rest of the year on their 'own' plot.

This 'articulation of the modes of production' is very important.

Further nationalization in the private sector are not being considered because of economic reasons: the state is not dynamic, while there is an urgent need for increasing production.

Third part: Agrarian Transition and the Role of the Agrarian Sector in the Nicaraguan Transition Strategy.

Starting points for the discussion are given by way of brief introductions by:

- Jan de Groot. The thesis he puts forward is the need to continue agro-exports, though at a more limited scale and in a way that facilitates its ultimate transformation within the context of the agricultural sector at large. The underlying dilemma consists of on the one hand the need of agro-exports and on the other hand the choice for a kind of basic needs strategy including improved domestic food supply. Apart from short-term imperatives like debt-servicing out of foreign currency earnings this dilemma is aggravated by the existing relations of production within the agro-export sector that set a heavy burden on the small 'semi-proletarian' agrarian producers. The major constraints in the process leading to structural agricultural transformation as well as examples of possible viable measures to reduce or eliminate these constraints are discussed at length in de Groot's paper to the seminar.
- Kees Blokland. His thesis is that small farmers who for the sake of mere subsistence have to attribute wage-labour in the export-production (= semi-proletarians) may not be left out in the drive towards transition. This point is highlighted by making a parallel with the Mexican situation. The policy suggestion made is to improve the position of the semi-proletarians, not primarily through government servicing and credit policy but by means of improved salary conditions in the agro-export sector. This at the same time secures labour supply for agro-export production and may eventually generate enlarged investments in the semi-proletarian sector.
- Jos Algra and Luud Clercx; their scepticism about the pace of the transitional process (owing to shortage of agro-technicians, the import substitution trap, reduced willingness to deliver wage-labour on behalf of the semi-proletarians when their income position is structurally bettered, the relative unfavourable efficiency of small vs. larger scale farming) leads them to advocate co-operative forms of agricultural organisation.

In the discussion that follows a remark is made concluding Blokland to be needlessly pessimistic about the position of the agrarian semi-proletariate in view of price and wage reforms already being made. This in turn is contradicted by a remark made on evidence of lasting infertility of the semi-proletarian hillside lands. This being a consequence of the expulsion of small farmers from the fertile valleys in favour of the establishment of large-scale export cropping by the somozistas. It is concluded that this situation being so together with the (revealed?) peasant mentality of small farmers urge even more the acquisition of land by the state.

An extensive plead is made by Ken Post for collective agricultural organisation after land reform has taken place. His arguments refer to post reform differentiation processes among the peasantry, linkages of the peasantry with urban merchantile interests, the facilitation of development funding by the state by means of

agrarian surplus extraction, as well as findings from the Chinese and Vietnamese models, like: the regulation of peasant income and the security collectives may provide to peasants vis à vis state interests and, last but not least, the increase in productivity not by means of mechanisation but by various means of rationing of the work performance. In the discussion the differing socio-cultural experience of Latin-America is emphasized.

A remark made about the highly organized state apparatus needed for such an extensive agrarian reform policy thrusts the discussion for a moment on the concept of 'peasant rationality'. A remark is made upon evidence that a concluded 80% of nicaraguan small farmers opts for an individual-family farm system.

The problem of choosing among alternative ways to improve the situation of the semi-proletariate is again touched upon by stressing the positive effects a wage rise in the export sector may have.

In the last part of the discussion the dilemma between agro-exports and domestic food supply as defined in De Groot's introduction is analysed in terms of land-utilization and settlement-schemes. The problem of land-utilization concerns the need to shift especially the extensive cattle raising from the fertile valleys to the frontera agrícola. This in turn emphasises the problem of transmigration as resettlement has to take place complementary to the needed changes in land use patterns.

ANNEX

LIST OF CURRENT RESEARCH PROJECTS
(including cooperation projects)
ON TRANSITION IN NICARAGUA

25/2/82

RESEARCH ON SERVICES TO SMALL FARMERS IN NICARAGUA

-- Research outline by Jos Algra and Luud Clercx, students with the dpts. of Comparative Socio-Economic Studies (COSES) and Cultural Anthropology, University of Utrecht.

Since Sandinist victory, government policy aims at transforming Nicaraguan economic structure and the society at large. In this, the agricultural sector plays a strategic role. Nearly 50% of the economic active population is directly employed in this sector. Present agricultural structure is the result of a dependent, neo-colonial development, in which the agro-export sector (latifundios) heavily dominated small scale food production for the domestic market (minifundios). This sharpened contradictions in the countryside and made Nicaragua as a whole dependent on fluctuations on foreign markets. (For further details see our discussion paper).

One of the most important tasks that Sandinist gvt. and mass organisations have set themselves is a transformation of this inherited socio-economic structure. Which means: reducing dependency on the agro-export sector in the long term, and raising production of basic consumption goods for domestic market in the short term. In this policy, expanding services extended to small farmers plays an important role. At the moment, credit and technical assistance in particular are seen as important instruments to raise small scale food production.

In the proposed research focus will be centered at credit, technical assistance and organisational aspects. A six-month fieldwork in one of the municipalities of the department of Matagalpa will form part of the research. From the municipal level services are extended 'in concreto' to farmers. To get some idea of the effect of present policy on farmers' performance, some two or three villages (comarcas) will be subjected to further investigation.

So far, we succeeded in forming a notion of the history of Nicaragua, the macro-economic structure, the agricultural structure, and past and present policies. Still lacking are data on the performance of present agricultural services, and on the socio-economic situation at municipal level.

An elaborate research outline is forthcoming.



KATHOLIEKE UNIVERSITEIT

FACULTEIT DER SOCIALE WETENSCHAPPEN

Derde Wereld Centrum/Third World Centre

Ted van Hees

Research project:

Revolution and Counterrevolution
in Nicaragua.

1.1.1982 - 1.1.1985

Drs. Ruud Ruben (and other participants
of the seminar on "the transition strategy
of Nicaragua")
Department of Development Economics
Vrije Universiteit Amsterdam
De Boelelaan 1105
AMSTERDAM

NIJMEGEN, 22.2.1982
no.

Dear co-participants of the seminar on the Nicaraguan revolution,

The research project which I am preparing since a month deals with the political process of the Nicaraguan revolution and in particular with the counterforces - nationally as well as internationally - of the revolutionary process. These counterforces are containing the whole range of openly reactionary armed counterrevolutionary forces inside and outside Nicaragua, but also the 'legal' opposition against the Sandinista road to socialism. Special attention needs in my opinion the in so many revolutions crucial position of the broad layers of the middle class. We remember the decisive role this (difficult in class terms to define) middle 'class' has been playing in for example the overthrow of the Unidad Popular government and in less degree the breakdown of the Portuguese revolution. Will the so called "third force" (Orlando Nuñez) in Nicaragua turn out to be ultimately a progressive or a reactionary force with respect of the further development of the revolutionary process?

In the present stage of the research project I am describing the development of the opposition against the Sandinista revolution, including -where present- their roots in the struggle against (or in favor of) the Somoza-dictatorship.

One of the main problems I am confronting is the absence of anterior studies which are dealing with the counterforces of a revolution, that is to say socialist revolution.

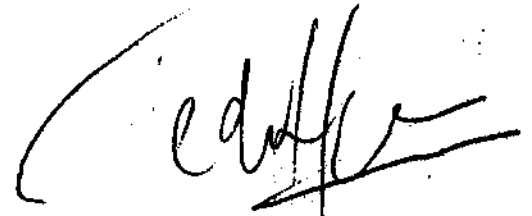
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DATUM:

I would be very glad if participants of the seminar do have suggestions on literature or studies which would be interesting for me. Further is this seminar in my opinion maybe a good start for people in Holland who are doing research on Nicaragua. Let us consider a more permanent structure where we discuss our progress and problems on our research on the revolution in Nicaragua.

With good hope that it will be a fruitful meeting on Friday, the 26th, see you,

A handwritten signature in dark ink, appearing to read 'Ted van Hees', with a large, sweeping flourish above it.

Ted van Hees

Global outline for an inquiry to be done by a student-working-group at the University of Tilburg.

In our investigation attention will be focussed on the most important facts responsible for the unequal development of the revolutionary movements in regional Nicaragua and Guatemala. Both structural and conjunctural facts will be taken into account. Also possible regional developments for both countries are to be outlined (in a most careful way).

Main questions are:

- What were (are) the goals of the revolutionary movements in both countries and what strategies are used to achieve them?
- How is the regional revolutionary movement composed and organized in time?

Part of the inquiry will consist of the regional consequences of the role the U.S. and multinationals played in both countries. Special attention will also be paid to a comparison of revolutionary theories on one side and practice in both countries on the other.

It will be clear that our function in this seminar will be no more than merely auditors.

On behalf of the working group
Rob van de Bogart,
Marcel Blom,
Ger Haan.

Europalaan 523
5042 ZJ Tilburg

INSTITUTE OF SOCIAL STUDIES
MEMORANDUM

No. Van Ken Post
 Aan Nicaragua Seminar
 dd. 10 Februari 1982
 betreft Research Interest

The Transition to Socialism: a Study of Việt Nam

This project attempts to explore both the specificities and the more general implications of one of the most important attempts to adopt a socialist strategy for the transformation of a former colonial possession. It takes as a major point of focus the Communist Party which has attempted to bring about that transformation and follows it (in the course of three volumes) through the full trajectory of its development from 1930 to 1980. The study sets out to explore two main themes, the process by which the Party came to power, and how that has affected its strategy and policies once in control of the state, and the exact nature of the process of societal transformation which it attempted. A second major point of focus of the whole project is the implications of the Party's activities in terms of class formation and struggle. The ultimate intention is to show the structural contradictions - amounting in fact to a possible block on any further transition to socialism - which have emerged as a result of the fifty years experience of the Communist-led revolution.

It follows from the above that I have an interest from a comparative perspective in other countries, such as Nicaragua, which have also attempted or may come to attempt a socialist development strategy. Of particular relevance here is the period in North Việt Nam of reconstruction after the first liberation war and then of beginning specifically socialist policies, the years 1954-58. The reconstruction is dealt within the last part of my first volume and the launching of the socialist transformation in the early chapters of the second (on which I am now working).

In addition, one of the topics to be dealt with in a more theoretical volume entitled 'Socialism and Underdevelopment', which I am now writing along with Phil Wright of the University of Sheffield, is the issue of launching the transition to socialism in countries such as Nicaragua. Unfortunately, however, that part is not yet written.



Aan: participants Nicaragua
seminar
Van: Nicaraguan Study Group
Toestel: VU

Datum:

Onderwerp: seminar on "the transition strategy of Nicaragua".

The Nicaraguan Study Group (NSG) is formed by students of different disciplines of the Vrije Universiteit-Amsterdam. Its aim is to contribute to a more wider knowledge and consciousness of problems and possibilities in reference to the Nicaraguan situation. Results of the NSG will be used by the dutch Nicaraguan Committee and eventually published. The NSG operates within the broader organizational framework of the Central American Workgroup of the VU-university.

The NSG has developped a study scheme that proceeds with major conclusions of earlier studies performed. The main conclusions that served as the basis for this year's course are:

- the dilemma imposed on the agricultural policy by confronting security of internal food supply and the need to generate import capacity by means of agricultural exports.
- the need to reform existing socio-political structures to benefit the poor, in the rural situation above all the landless and the small peasants.

In reference to these conclusions the NSG has chosen the following levels of analyses focussed on the agricultural sector:

1. international context: limits and possibilities inherent to a development model based on mono-agricultural exports. This refers to the analyses of the different forms of dependency imposed by a relative large external sector and to the possible means of augmenting the nation's autonomy eg. through diversification and substitution of export produce.
2. national context: departing from targets set out by the national development strategy (sufficient internal food supply, active participation of the people, independence, more equitable distribution of benefits as well as augmentation of production and productivity) an analyses of the possible role of the agricultural sector within the economy as a whole. Special consideration will be given to the improvement of inter sectoral linkages esp. between agriculture and industry (eg. through broadening import substitution by means of establishing agro-industry and possibly through the promotion of certain industrial exports directly benefitting agricultural development).
3. sectoral level: the agricultural policy in relation to the organization and functioning of a socialized subsector within the context of a mixed economy. Elements of analyses are the mobilization and allocation of inputs; the organizational forms to be adopted in view of the dilemma between autonomy and control of the newly formed agricultural units; the rational for socializing means of production, the production proces itself and/or the distribution of the surplus.
4. analyses of the different socio-political fractions esp. within the agricultural sector: the different interest they have and possible means of forming coalitions in the proces of agricultural reform.

NICARAGUA - seminar

Geske Dijkstra, sociologist and student of economy (last year)
at the University of Groningen.

I am studying the economy of Nicaragua from the viewpoint of the subject "Comparative analysis of economic systems" (prof. wagner), and working on an essay about the planning of the industry-sector in Nicaragua.

When I was in Nicaragua last September I have asked to Maarten Romijn, working at the "Fondo Internacional de Reconstrucción, departamento de cooperación técnica externa", if he could suggest me a problem to work on for my essay ("afstudeeropdracht").

The problem he suggested me is:

What are the limitations of the economic planning by the state in a transition- economy?

The government wants to reactivate production in the state- and the private sector. At the same time the goal is the changing of the relations of production.

Are there solutions for the discrepancies between the state and the private sector?

For an essay (which in Groningen is normally written in two months) this is a fairly large problem. I have chosen to concentrate myself on the planning of the industry. My arguments are:

- although a higher priority is given to agriculture, industry is an important sector for Nicaragua. In the longer run the industry-sector is necessary to achieve a greater international independence.
- the above mentioned problem is especially very hard to manage in the industry- sector (e.g. enterprise-owners don't invest which has long term consequences, the capital flow from industry is easier).
- much can be learned from experiences of other countries (Sovjet Union, China, Cuba); the 'industrialization debate' is theoretically interesting.
- to exclude the agricultural sector is a necessary restriction for a two month's - essay.

I am still thinking about a central question for the paper.
That could be : the relation between the state and the enterprises,
and/ or the role of prices in the planning proces.

NICARAGUA AGRICULTURAL ECONOMICS PROGRAMME (NAEP)

inter - university cooperation project on
'agricultural economics' between the Free
University Amsterdam (FUA) and the Univer-
sidad Nacional Autónoma de Nicaragua

Summary description of the inter-university cooperation programme on
'Agricultural Economics' between the Free University Amsterdam (FUA) and the
National University of Nicaragua (UNAN)

1. Name of the project

Nicaragua Agricultural Economics Programme (NAEP)

2. Aims of the project

The general objective of the project is to support the establishment of
the programme of the pre-specialization 'Agricultural Economics' at
the Economic Faculty of the National University of Nicaragua in the
following four areas:

- support to the curriculum-development process of the Department of
Economics of the Economic Faculty of UNAN. Advice in matters
concerning the adjustment and completion of the curriculum and in
the management of the programme.
- upgrading of teaching and research (training) staff and programmes
- implementation of research (training) activities to support the
educational programme.
- provide for an infrastructure for the teaching and research (training)
activities, (planning, organization, preparation of educational
materials, assistance to staff-members)

The ultimate aim of the project is to consolidate the teaching of a
practice-oriented educational programme in the field of agricultural
economics and to ensure the continuity of the programme through upgrading
or the local staff involved.

3. Executing institutions

- The Economic Faculty of the National University of Nicaragua, hereafter
called EF/UNAN
- The Economic Faculty of the Free University Amsterdam, hereafter called
EF/FUA

II SITUATION OF THE COUNTERPART INSTITUTION

In the national development programme the new Sandinist Government in
Nicaragua assigns to the institutions of Higher Education a vital role in
the national reconstruction process. Because of the growth of the participation
of the public sector in the economic process, there is an urgent need for
qualified personnel (e.g. for the Ministries of Agriculture and Planning,
the Institute for Land Reform).

Especially the teaching and research in the fields of planning and
management of the agricultural sector (land reform, agricultural policy and
planning, management of state farms and cooperatives) is an area of first
priority.

For Nicaragua agriculture is one of the most important sources of national
income. It generates over 35 percent of GDP and contributes more than
75 percent to foreign exchange earnings.

The agricultural sector is of a dualistic nature. A modern capital-intensive
subsector is producing mainly for exports (coffee, cotton, sugar, meat),
while agricultural subsistence crops for domestic food supply (maize, rice,
beans) are produced by a traditional subsector using family-labour and
with little access to credit and other inputs. About 45 percent of the eco-
nomically active population is working in the agricultural sector and
another 25 percent has indirect employment opportunities in sectors
connected with agriculture.

The major development themes arising from this structure of the economy
are:

- the transformation of the structure of the economy (reducing export
dependency and establishment of an integrated national economic structure)
- impediments and possibilities for development strategies of small
countries (resource base, internal market, regional integration
possibilities, export diversification)
- policy instruments for diminution of the dualistic nature of the
agricultural sector (prices, inputs, marketing, credit, infrastructure,
wages, etc.)
- land tenure patterns, land reform policy and integrated rural development
programmes
- agricultural planning (exports, food supply, labour, public services)
- participation of the rural population in agricultural programs, policy and
planning and in the management of agricultural enterprises

(c)

- incentives regimes and decision structures in co-operatives and state enterprises
- irrigation, mechanization and cropping patterns as policies for balancing labour requirement.

The National University of Nicaragua (UNAN) is the main university of Nicaragua. The university has six locations among whom Managua and León are the most important ones. The number of students at UNAN in the academic year 1979-1980 was about 22,000 and will probably grow to 25 - 27,000 in 1981. The number of teaching posts (in full-time equivalents) amounts to 443 (average student-staff ratio 50:1).

Because of the massive inflow of new students after the national liberation war and the departure of many of the most qualified staff-members to positions in the public sector (ministries, state enterprises) there is a considerable shortage of well qualified personnel ('understaffing').

A process of reform of the educational programs (with respect to both the structure and the context of the programs) has been started to cope with the urgent needs of the country for many practically trained specialists.

The Economic Faculty of UNAN offers study programs in three branches: (general) Economics, Business Administration and Accountancy. The Faculty has about 6000 students (1980-1981).

The number of students in the Department of Economics amounts to 2500. Most of these students (90 percent) takes lectures in the evening; they are supposed to work during day time, proof of which is required. The number of teaching posts at the Department of Economics amounts to 70, of whom only 29 are full-time teachers.

Especially in this Department there has been a massive inflow of new students after the end of the national liberation war and this situation is likely to continue in future years.

The Department of Economics has developed plans to revise its educational programs. The former program consisted of one year for general studies, followed by 7 semesters (8 semesters in the evening program) of studies in general economics. After this period a small number of students could complete a specialized course in agricultural economics. The majority of the students only completed the general degree program.

The new program of studies consists of one semester of general studies (pre entry science and lessons in the history of the Sandinist Revolution), followed by 7 semesters (8 in the evening program) of general economics. In addition to the subjects of the old program several new subjects will be introduced e.g.

(d)

Political Economy (general theory and management of socialist economic systems), Philosophy and Seminars on the actual economic situation of Nicaragua.

The most important change will be the introduction of a pre specialization course for all students (duration 2 semesters) to give a more practically oriented training in the application of economic theories and techniques to the actual situation of Nicaragua.

There will be a choice between three pre specialization courses: Agricultural Economics (renewed programme), Planning (new course) and International Trade (new course). These themes are chosen because of the urgent needs of the Nicaraguan society in these fields.

The inter-university cooperation project concentrates on this pre-specialization Agricultural Economics. The future course will consist of two parts: agricultural development and agricultural planning.

The most direct deficiencies in the present pre specialization course are:

- a shortage of well qualified personnel. Because presently only one full-time lecture is available, the programme makes use of ca. eight part-time teachers. The effective use of this personnel needs much coordination work.
- the programme is in great need of more literature and educational materials. Through increasing the availability of teaching papers the educational program can be made far more effective.
- the study programme has been reviewed but still needs to be developed further, especially in the direction of the practical application of economic theories and practices to the Nicaragua economic and agricultural reality.
- in the field of Political Economy, both the theoretical base and the practical application to the Nicaragua-situation are lacking almost entirely thus far. This experience has to be built up through staff training and research activities.
- there are no research (training) activities incorporated in the pre specialization. The research capacity has to be built up, especially as far as research is concerned which can be used in the educational programme.

Cooperative Project Formation Agricultural Cadre.
Samenwerkingsproject IVO/KHT Tilburg en
CIERA Managua.

1. BREVE DESCRIPCION DEL PROGRAMA

1.1 Qué es el Programa Centroamericano de Formación en Desarrollo Agropecuario y Reforma Agraria?

Es un esfuerzo de la Revolución Popular Sandinista para capacitar recursos humanos que den respuestas satisfactorias a las necesidades de transformación del sector agrario.

Este programa se proyecta a escala nacional, Centroamericana y del Caribe y su acento descansa en las disciplinas de las Ciencias Sociales, en virtud de la escasez aguda de cuadros en el sector agrario que las dominan.

1.2 Qué objetivos persigue el Programa?

- a) El objetivo central es la formación de compañeros que impulsen los procesos de transformación agraria bajo criterios científicos.
- b) Crear condiciones adecuadas para una reflexión continua y sistemática sobre el desarrollo del sector y sus interrelaciones con el resto de la economía.
- c) Contribuir a la democratización del conocimiento científico, mediante una estructura piramidal de formación.

2. ¿Qué instituciones organizan el Programa?

El Ministerio de Desarrollo Agropecuario y Reforma Agraria (MIDINRA), a través del Centro de Investigaciones y Estudios de la Reforma Agraria (CIERA), la Universidad de Tilburgo de Holanda, a través de su Instituto de Estudios para el Desarrollo (I.V.O.), con el apoyo de organismos dentro y fuera del Ministerio de Desarrollo Agropecuario y Reforma Agraria, el Consejo Nacional de Educación Superior, la Universidad Nacional Autónoma de Nicaragua y la División de Capacitación del MIDINRA.

2. AREAS DE FORMACION

2.1 Area de Teoría y Práctica en Ciencias Socio-económicas.

Este área pretende capacitar a los participantes en el manejo de los instrumentos teóricos y prácticos de las Ciencias Socio-económicas aplicadas al sector rural.

El área abarca dos sub-áreas, con los bloques siguientes:

I. Economía:

- a) La economía mundial, la división internacional de trabajo, los problemas del desarrollo económico.
- b) La transición, que comprende el estudio de experiencias transformadoras con énfasis en el sector agrario y las prácticas de la política económica en Nicaragua.

c) Economía del socialismo.

d) La economía política del agro, que comprende la economía agraria y el estudio de las reformas agrarias en América Latina, la planificación agropecuaria, etc.

e) La producción y reproducción del capital.

f) El desarrollo agropecuario, que comprende la gestión empresarial y las opciones de desarrollo agropecuario.

Ciencias Sociales.

g) Análisis histórico, que comprende la historia social y económica de Centroamérica con énfasis en la de Nicaragua y las prácticas de investigación histórica bajo el rigor del método científico.

h) Los movimientos campesinos y los seminarios y prácticas de capacitación campesina.

i) El estado en su estructura y función, que comprende su formulación teórica, su expresión histórica, su papel en la política agraria y las prácticas y procedimientos institucionales del estado para el sector.

j) Clases sociales, ideología y el estado.

k) Investigación y Capacitación Campesina.

2. Area Técnica de Apoyo.

a) Técnicas Agropecuarias.

b) Formulación y Evaluación de Proyectos

c) Técnicas de Planificación

d) Técnicas de Gestión Empresarial, aplicación SUCA, etc. (d)

e) Técnicas de Difusión, Comunicación y Extensión.

f) Técnicas de Investigación.

El área de técnicas de apoyo se desarrollará de acuerdo a las necesidades prácticas de los participantes.

2.3 Area de Extensión.- Se capacitará a los participantes pedagógicamente, para que a su vez estén en condiciones de capacitar a otros en los contenidos de este programa.

2.4 Area de Temas Especiales

En el transcurso de cada semestre se programarán seminarios sobre temas específicos relacionados con las necesidades del programa y de los participantes.

3. PARTICIPANTES EN EL PROGRAMA

3.1 Quiénes participan?

Este programa tendrá como participantes a trabajadores estatales estrechamente vinculados con la problemática agraria, que desarrollan sus actividades de manera profesional en el campo (técnicos de PROCAMPO, técnicos de crédito rural del B.N.D., técnicos de la Dirección General de técnicas agropecuarias, etc. etc.).

Cuadros destacados de los organismos de masas, cuya acción fundamental está orientada hacia el campo y que son los principales impulsores de la Reforma Agraria (Asociación de Trabajadores del Campo A.T.C., Unión Nicaragüense de Agricultores y Ganaderos UNAG, Central Sandinista de Trabajadores, C.S.T., etc., etc.).