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THE NATIONAL BOURGEOISIE IN POST-REVOLUTIONARY NICARAGUA

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## ABSTRACT

### The National Bourgeoisie in Post-Revolutionary Nicaragua

Due to a unique combination of structural and historical factors, the Nicaraguan Revolution was carried out by an alliance of a significant portion of the national bourgeoisie with the popular sectors. In the three years following the triumph of the Frente Sandinista de Liberación Nacional (FSLN) over the Somoza regime, an ideological contest has been played out in Nicaragua. The contest reflects the conflicting class interests underlying the revolutionary alliance. This paper emphasizes the central importance of those contradictions in the development of the revolutionary process, in specific areas of economic, social, and political organization. Illustrations are drawn from the tensions surrounding the cattle, milk, and sugar industries; the allocation of foreign exchange; and laws restricting political activity. While there is potential for a change in consciousness on the part of the national bourgeoisie in the long run--i.e., for the FSLN to consolidate its hegemony in the ideological sense--international pressures have combined with the internal political dynamic to narrow the space for political discourse within Nicaragua.

## THE NATIONAL BOURGEOISIE IN POST-REVOLUTIONARY NICARAGUA

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The triumph of the Frente Sandinista de Liberación Nacional (FSLN) over the Somoza dynasty on July 19, 1979, brought a broad-based coalition to power in Nicaragua. Some businessmen followed Somoza to Miami, but there was nothing resembling the exodus and the widespread acts of sabotage by industrialists and plantation owners that took place after the Cuban Revolution. The difference lies in the alliance of Nicaraguan business interests with the popular sectors leading the revolutionary struggle. The assassination of La Prensa editor Pedro Joaquín Chamorro on January 10, 1978, became a rallying symbol for the bourgeois opposition to Somoza, and the general strike subsequently called by business leaders was an important milestone in the struggle against Somoza's rule. By the final months of the fighting, with Somoza's National Guard actually bombing Nicaraguan cities, opposition to the dictatorship was nearly universal.

Yet the unanimity of the negatively-defined opposition struggle did not guarantee consensus behind a post-revolutionary project. Divisions were perhaps inevitable, given the genuinely multi-class composition of the movement which culminated in Somoza's overthrow. Everyone felt the Revolution to be their own. Some flexibility in resolving these competing claims (or postponing their definitive resolution) was afforded by two factors: 1) the availability of vast somocista lands for redistribution, and 2) a widespread appreciation of the immediate exigencies of the reconstruction task. The exhaustion of these two temporary legitimizing resources, however, is symbolized by the patchwork of land reform and confiscation decrees issued on July 19, 1981, and by the Social and Economic Emergency decrees of September 9 of the same year, which together underlined two fundamental questions: What kind of transformation does the Nicaraguan Revolution represent, and when is the emergency over?

The Revolution is now at a crossroad, in both a practical and a theoretical sense, and the bourgeoisie occupies a pivotal position in the present conjuncture. As a practical matter of immediate survival, the Sandinista government is dependent on the support of private owners of the means of production (i.e. of capital, land, factories, herds of livestock, etc.)--not only for the physical reactivation of the economy, but also for the generation of the kind of international credibility which attracts foreign loans and makes it more difficult for foreign governments to commit overt acts of aggression. The practical political dilemma is how to win this private sector support, without depending upon it so heavily as to jeopardize the irreducible goals of the Revolution.

Arising out of the inspiration of Sandino and the armed organization of the masses, the Nicaraguan Revolution has a fundamentally antiimperialist and pro-popular orientation. However, the FSLN has sought to establish a modus vivendi with both the United States and the national bourgeoisie,



based on stated principles of non-alignment, pluralism, and a mixed economy. The balance has been problematical; the Revolution today faces serious internal and external threats. Large private producers form the core of the domestic opposition challenging the Sandinista government. External pressures from the U.S. government are closely tied to domestic economic and political policies in Nicaragua. The future of the Nicaraguan Revolution therefore depends importantly on the internal state/private sector dynamic.

Nicaragua exemplified the new "Central American model" of revolution, based on mass organizations of workers and peasants which ally with a progressive fraction of the bourgeoisie. The revolutionary movements now sweeping Central America represent a sharp departure from the foquista model of the 1960s.<sup>1</sup> In Nicaragua, where the privilege of capital accumulation was practically a family monopoly for the better part of the century, the bourgeoisie played a more active role in the revolution than their counterparts in the ongoing revolutionary struggles in El Salvador and Guatemala.<sup>2</sup> The United States accentuated the historical intra-bourgeois divisions by propping up the Liberal Party and the Somoza dynasty.

Different patterns of dependent development in Central America affected the various kinds of class alliances forged between the emerging industrial bourgeoisies and traditional landed interests in the 1950s and 1960s. For example, the Central American Common Market tended to disproportionately concentrate foreign investment and rapid industrialization in Guatemala and El Salvador, producing sharper dislocations of subsistence agriculture in those countries--particularly in El Salvador, with its much greater population density. One result was closer cooperation between the traditional and "modernizing" fractions of the bourgeoisie, in the form of antireformist, military-led pacts of domination in those two countries. Foreign capital played an integrating role in these class alliances. In Nicaragua, by contrast, Somoza used his absolute control over the state apparatus to personally appropriate the prerogative of capital accumulation, to the exclusion of other fractions of the bourgeoisie. Specific national factors also distinguish the Nicaraguan case. Nationalism tended to unite the opposition, particularly after Somoza's blatant theft of the international relief funds following the 1972 earthquake in Managua. All these factors help explain why the "modernizing" fraction of the bourgeoisie threw in their lot with the popular sectors in Nicaragua, while their counterparts in El Salvador continued to pursue accommodation with the landed oligarchy (with heavy U.S. backing).

As a condition for their continued loyalty to a government intent on radical social change, the bourgeoisie in Nicaragua is demanding the same thing they demanded of the repressive Somoza government: guaranteed access to profitable investment opportunities (i.e. to a share of surplus value). This raises the theoretical dilemma of the relations between the revolutionary vanguard and the bourgeoisie in a country where the bourgeoisie participated in the revolution and retained control of a substantial share of the economy. The FSLN, basically representing an alliance of workers and peasants, is clearly in control of the state.<sup>3</sup> The contradictions entailed by the conjunctural alliance between the FSLN and the national bourgeoisie are now unfolding.

It is precisely the conditionality of bourgeois support for the Government of National Reconstruction, and the growing tension between private enterprise and the state, which establish the current indeterminacy in the post-revolutionary project. Faced with external economic pressure, as well as declining domestic production in some sectors and flight of national private capital, the government has hesitated to increase state intervention in the economy for fear of panicking investors. Measures designed to stem the outflow of capital and to conserve scarce foreign exchange have tended to produce precisely the opposite effect. In an effort to break the deadlock, the National Directorate of the FSLN initiated a series of discussions with leaders of the private sector in the spring of 1981; but with the economic crisis forcing more decisive state action, the National Directorate issued a set of nationalization decrees last July 19th, temporarily disrupting the dialogue.

Where is the Nicaraguan Revolution going? The answer to this question depends, in the short- and medium-term, on the resolution of the ongoing conflict between the state and the private sector. I will suggest in this paper that a key determinant of the future course of the Revolution is the subjective dimension of the evolving relationship between the private and socialized productive sectors. Revolution is a process, not an event. The transformation of attitudes does not end with the victory of the revolutionaries. The process of concientización in Nicaragua, steadily advancing over the first three years after Somoza, changes the terms of the struggle for definition of the post-revolutionary project. The terms of the struggle point to the outcome because the conflict between state and private sectors in Nicaragua is a battle for ideological hegemony--in Gramsci's language, a "war of position" rather than a "war of maneuver."<sup>4</sup> At critical choice points, the government's policy space (i.e. the range of options open for political and economic policy) is shaped by the interaction of external conditions with internal factors, which in turn are largely shaped by a subjective evaluation of interests by the national bourgeoisie.

This paper discusses, first, the political content of productive activity. I will argue that a significant change in the character of political discourse has altered the role of the national bourgeoisie in post-revolutionary Nicaragua. I will then examine the contradictions between the class alliance with the bourgeoisie and three priorities of the Sandinista project. The first of these contradictions is the tension between the goal of widening access to popular-consumption goods, and the tendency of the bourgeoisie to engage in decapitalization and speculation. I will focus on the cattle, milk, and sugar industries and on the economic activity of the shopkeeper/ petty bourgeois class. The second is the tension between the goal of reducing external dependence, and the financial and commercial links between the national bourgeoisie and foreign capital. The third contradiction is between the political and social demands of the working class, and the competing demand for liberal-bourgeois politics. I will concentrate on the Social and Economic Emergency decrees of September 9, 1981, which have since been reinforced by new restrictions. The final section of the paper suggests the interrelation of external constraints with the internal dynamic which is defining the course of the Revolution.

In recent months, there have been growing signs that the inclusion of the bourgeoisie in the Sandinista alliance is becoming unworkable. In examining these tensions within the Sandinista alliance, I will suggest that the breakdown is neither inevitable nor deliberately orchestrated. Subjective evaluations of class interest can be influenced by government policy. However, external pressures on the Nicaraguan regime narrow the space in the short run for the kinds of policies which can only produce a change of consciousness over the long run.

#### The Political Content of Productive Activity

It is estimated that material damages resulting from the struggle against the Somoza regime amounted to \$480.7 million, or about 37 percent of the GDP for 1979. On top of that, capital flight amounted to some \$220 million during 1978 and \$315 million in the first half of 1979. At the end of July 1979, international reserves stood at less than \$3 million, while the foreign debt exceeded \$1.5 billion (compared to a GDP of less than \$1.3 billion).<sup>5</sup> The enormous task of reconstructing Nicaragua was obviously more than just an economic problem; insofar as the productive structure was to be reorganized, it was also a political problem. Calling themselves the Gobierno de Reconstrucción Nacional (GRN)--Government of National Reconstruction--the government which succeeded Somoza outlined their program a month before the revolutionary triumph. A radical alteration of the country's ownership structure was envisioned.

The plan called for a mixed economy in which "The properties and activities of the private sector which are not directly affected by the measures established or provided for in this program will be fully guaranteed and respected." This document specifically provided for state control not only over somocista holdings and idle lands, but also over the development of all natural resources (mining, fishing, etc.), foreign trade in basic agricultural products (including "channeling to the public sector a part of the earnings generated by traditional exports"), internal trade in basic consumption goods, mass transit, etc.<sup>6</sup> The national bourgeoisie was represented in the five-member Junta which promulgated this program of rather sweeping reforms by Alfonso Robelo Callejas, a wealthy businessman from León, and Violeta Barrios de Chamorro, widow of the famed newspaper editor. Sergio Ramírez Mercado, considered a moderate, was to be the swing vote in the transitional Junta; the program drawn up in June was to serve as a kind of governing compact.

Soon after the revolutionary triumph, the split between the national bourgeoisie and the popular classes became clear. Before the Revolution had passed its first anniversary, Chamorro and Robelo had resigned from the Junta, provoking a political crisis. At issue was representation of the private sector--particularly in decision-making councils of the new government, but more fundamentally, in defining the vision of postrevolutionary Nicaragua.

In April 1980, the FSLN expanded the Council of State (the body which shared legislative powers with the Junta of the Government of National Reconstruction, or JGRN) from the 33 members originally planned to 47, in order to include more representatives of the "popular organizations." These

organizations were the products of a Sandinista mobilization effort which continued apace after the revolutionary triumph. Thousands of Nicaraguans were integrated into an array of organizations including women's associations, trade unions, national teachers' group, popular militia, Sandinista Defense Committees, etc. Robelo has said he resigned because his input into Junta decisions was ignored, and because the addition of 14 representatives to the Council of State violated the Program of Government drawn up in June 1979.<sup>7</sup> But the reorganization of the Council of State clearly reflected the preponderance of mobilized support enjoyed by the FSLN. The response was a counter-mobilization by those sectors which perceived their interests to be threatened by the reforms of property ownership and of political participation.

The FSLN reaffirmed its commitment to a multi-class coalition by re-balancing the Junta, appointing Rafael Córdova Rivas and Arturo Cruz (two prominent businessmen) to replace Alfonso Robelo and Violeta Barrios de Chamorro. But with Sandinista consolidation of government power becoming increasingly evident,<sup>8</sup> bourgeois interests began to coalesce into opposition groups outside the government--competing with the FSLN for legitimacy in ways which altered the ground rules of political discourse. Robelo emerged as a leading figure in the bourgeois opposition to the Frente, devoting himself full-time to building up his political party, the Movimiento Democrático Nicaragüense (MDN). Other bourgeois political parties and organizations of private producers later withdrew from the Council of State--including the powerful Consejo Superior de la Empresa Privada (COSEP), the umbrella organization of private business interests. The reorganized postrevolutionary La Prensa became the news organ of the bourgeois opposition,<sup>9</sup> publishing increasingly strident attacks on the Sandinista government. Politics were moved to other arenas.

The issue of organization of the government, however, was only one dimension of the split between the state and the bourgeoisie. Equally significant, I contend, is the political content of productive organization. Macroeconomic policy decisions regarding the role of the private sector in production, investment, and ownership reflected necessities arising from the reordered priorities of the revolutionary government. For example, changes in income distribution and in expectations inevitably produce changes in the demand structure. Expectations naturally soared following the overthrow of the corrupt and exploitative Somoza regime. The economic program of the revolutionary government contains explicitly redistributive measures, with the effect of broadening internal demand. The demand for food is, in poor countries, highly income-elastic. Partly to cope with the explosion of demand, the GRN used state controls on internal commerce and rationing of some agricultural goods (e.g. sugar), to rationalize distribution of basic foodstuffs. Meanwhile, private production failed to reach projections in many instances, as investors waited for the "rules of the game" to be specified. Decapitalization continued. The spiral of private disinvestment and state intervention reinforced mutual suspicion between the state and the private sector. Many government officials have expressed the belief that a sector of the bourgeoisie is deliberately sowing economic chaos, while many private entrepreneurs suspect the FSLN of having a "hidden agenda" of eliminating private enterprise.<sup>10</sup>



The decision to invest or disinvest is regarded by the bourgeoisie as a private response to conditions created by the government. The FSLN views investment in terms of social responsibility. The official pronouncements of the Sandinista leadership emphasize that there is an important role to be played by the bourgeoisie in the national reconstruction task, but they distinguish between the "patriotic" businessmen and the vendepatrias (those who would sell their country):

. . . There are those who understand this national effort. There are patriotic entrepreneurs, who want to produce, who want to help the country . . . The patriotic entrepreneurs are an active subject who require incentives and who require the collaboration of every one of us. . . .<sup>11</sup>

and:

. . . There are many sectors and many members of private enterprise who produce, and consequently who support the national reconstruction. . . . They don't conspire, and they are working with complete tranquility . . . The future of the people of Nicaragua will also be the future of these people who work, who understand the value of a change in consciousness, of a change in situation, of a change in their role, because the times are also changing.<sup>12</sup>

The subjective evaluation of self-interest on the part of the bourgeoisie, which takes the concrete form of decisions to invest and produce, produces social effects. This is what I mean by "the political content of productive activity." Moreover, both the FSLN and the private sector recognize this critical importance of a change in consciousness--a recognition which had led to what I refer to as the transformation of political discourse. One example of this transformation is the dialogue with opposition groups initiated by the National Directorate last spring--first called the Diálogo Nacional, and later known as the Foro de Discusión de los Problemas Nacionales, or simply Foro Nacional. The dominant themes on the agenda of the Foro Nacional are matters related to production: decapitalization and nationalization. While the government justifies nationalization as a necessary antidote to decapitalization, the private sector denounces the "bad business climate" created by what they see as the arbitrariness of government actions and the absence of the "rule of the law." Implicit on both sides is the assumption that a change in expectations on the part of Nicaraguan capitalists would permit a constructive relationship between the state and private sectors. They disagree, however, on which side is responsible for creating those expectations.

The flight of capital and the reduced rate of private-sector investment have necessitated growing public investment to rebuild the war-torn economy. The GDP fell by over 30 percent from 1977 to 1979.<sup>13</sup> Beginning in 1978, the balance of payments figures were already starting to show substantial outflows of private capital (see Table 1). It is difficult to quantify the outflow of private capital after July 1979. Official publications of economic statistics offer no clue, and the question is obviously one of some political sensitivity. Nicaraguan government economists calculate

TABLE 1

Capital Movements and Balance of Payments  
(thousands of U.S. \$)

	<u>private capital movements</u>	<u>official capital movements</u>	<u>net entry of capital</u>	<u>balance of payments</u>
1965	23,410.2	6,823.0	30,233.2	811.0
1970	20,455.8	28,334.0	48,789.8	12,345.0
1975	44,500.0	112,200.0	156,700.0	-31,700.0
1976	26,800.0	65,300.0	92,100.0	39,700.0
1977	-67,165.6	196,509.0	129,343.4	-56,600.0
1978	-232,457.3	43,233.0	-189,224.3	-224,305.0
1979*	n.d.	n.d.	-174,500.0	-51,600.0

\*preliminary figures

Source: Banco Central de Nicaragua, Departamento de Estudios Económicos, Indicadores Económicos, Vol. V, Nos. 1-2 (Dec. 1979), p. 44.

TABLE 2

GDP, Public and Private Fixed Investment

(millions of 1980 córdobas)\*

						<u>rates of change (%)</u>			
	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>78/77</u>	<u>79/78</u>	<u>80/79</u>	<u>81/80</u>
GDP	27,963	25,758	19,283	21,339	25,296	-7.9	-25.1	10.7	18.5
planned private investment**	--	--	--	470	500	--	--	--	25.0
actual private investment	3,139	1,895	726	400	n.d.	-39.6	-61.7	-44.9	n.d.
planned public investment**	--	--	--	2,230	3,380	--	--	--	35.2
actual public investment	3,047	1,541	678	2,500	n.d.	-49.4	-56.0	268.7	n.d.

\*Ten 1980 córdobas = U.S. \$1

\*\*Planning began in 1980.

Source: Ministerio de Planificación, Programa Económico de Austeridad y Eficiencia, 1981 (Managua: Centro de Publicaciones, Secretaría Nacional de Propaganda y Educación Política, Feb. 1981), pp. 119-21, 156.

that decapitalization (not only capital flight, but also rundown of equipment, falsification of accounts, etc.) totaled \$140 million in 1980. An outside analyst of the Nicaraguan economy estimated the current outflow at \$30 million per year.<sup>14</sup> The figures in Table 2, from the 1980 and 1981 Plans, show that private investment levels have continued to decline, falling short of projections. Although growth in public sector investments decelerated sharply in 1981 (refer to Table 2), the failure of 1980 private sector investment to reach projections clearly influenced policy regarding public sector investments for 1981. The mix of public and private sectors is a ratio which has taken on great symbolic importance for both the national bourgeoisie and external actors, shaping perceptions about the future course of the Revolution. The figures typically cited are for share of production, with the state share running around 40 percent.

### Decapitalization vs. Popular Consumption

Decapitalization takes various forms, some more detectable than others. Given the destruction of infrastructure and capital stock that occurred during the fighting, it is not possible to establish the counterfactual by simply estimating the capacity of the economy for absorption of new investment in July of 1979. However, decapitalization is clearly taking place. One indicator is the booming "parallel market" for dollars in Nicaragua--tolerated by the government up until last October, because of the desperate need for foreign exchange for more legitimate purposes (e.g. importation of inputs for domestic production, remittances to students abroad, etc.). Any foreigner walking the streets of Managua last summer was fair game for roving cambistas who operated from carts or zoomed up on motorscooters, calling out "¿dólares?" and offering three times the official exchange rate in córdobas (with a premium on cash as opposed to traveler's checks). It seems likely that at least some of the dollars so obtained found their way out of the country permanently.<sup>15</sup>

Representatives of the private sector admit that decapitalization is still going on with some regularity. Agricultural disinvestment has been somewhat more limited in the coffee industry due to supply inelasticities (coffee trees last 50 years), than in areas of the economy where investments have greater physical mobility. The cattle industry provides an illuminating example. Hundreds of thousands of heads of cattle have been driven across the border to be sold in Honduras and Costa Rica. This continuing movement of the herds, combined with rising internal consumption of beef, has caused the volume of meat exports (which constituted 16.5 percent of export earnings in 1979) to fall 46 percent in 1980 and, by some estimates, perhaps another 36 percent in 1981.<sup>16</sup> Consequently, the already critical scarcity of foreign exchange was exacerbated.

One official from UPANIC (Unión de Productores Agropecuarios de Nicaragua, the association of large farming interests) confirmed to me last summer that the surreptitious movement and sale of livestock across the border was a widespread practice. He refused to call it "decapitalization," however, insisting that the movements and sales were a simple matter of business decisions. He proceeded to calculate for me the margin between the cost of production per head of cattle and the going prices in Costa Rica versus the potential return in Nicaragua, where, he argued, it was

"impossible to make money." In point of fact, beef prices rose 9 percent in 1980, and production of some inputs (sorghum and corn) far exceeded internal demand in that year in Nicaragua--suggesting a potential for windfall profits. The JGRN, however, facing severe foreign exchange shortages (exacerbated precisely by private decapitalization) and an expanding internal demand for consumer goods, imposed internal consumption taxes on beef. Also imposed were ad valorem production taxes which, according to the Superior Council of Private Enterprise (COSEP), absorbed 70 percent of the price increase.<sup>17</sup> By driving their herds across the border, private ranchers could reap higher profit margins and also circumvent state controls on private capital movement.

At issue, in short, was the willingness of private producers to sacrifice in relative terms, i.e. to accept the opportunity cost of allowing the state to appropriate a portion of an economic rent. Doing so would require a certain mental revaluation of the net social benefit, on the part of private producers. Given the Central Bank's tight controls on foreign exchange, selling the beef domestically would also imply a certain commitment to reinvest the profits in Nicaragua. The choice is a relatively uncluttered one in the case of the cattle industry, because 1) the rise in beef prices made it a positive-sum game, and 2) the ease of moving the herds provided an immediate alternative; so it might be considered a fair gauge of attitudes. The ranchers voted with their hooves, as it were, and many--but by no means all--chose to maximize private gain at social expense.

The cattle tale does not end here, however. The state is under pressure to see that popular-consumption goods (principally foodstuffs) are in adequate supply. A cattle-slaughtering plant was one of the 14 firms nationalized under the decrees of July 19, 1981. Also, among the package of important reforms decreed on July 19 was a five-year program which extends 5 billion córdobas (U.S. \$500 million at official rates, or \$167 million unofficial) in financing to the dairy and meat cattle industries,

. . . making clear that the benefits of this plan will be as much for the Area de Propiedad del Pueblo (public sector) enterprises as for those elements of the private sector who want to work peacefully in our country.<sup>18</sup>

The implied linkage, reinforced by the content of the accompanying decrees of the same date, suggests that private decapitalization will lead to an expanded state role in investment and production. Such warnings, of course, are themselves part of the ongoing dialogue which shapes perceptions on the part of private and state actors.

The example of the cattle industry illustrates how the restructuring of priorities contained in the basic revolutionary program (in this case, wider access to popular-consumption goods) forces the state to apply a mix of instruments of persuasion and coercion in influencing the productive behavior of the bourgeoisie. The persuasive instruments consist of not only material incentives, but also a kind of moral suasion--i.e. an effort to create a consciousness on the part of the bourgeoisie of the social implications of decisions which they regard as inherently private. For



example, the following exchange was reported by a participant at a private meeting attended by Bayardo Arce (a member of the National Directorate) and Ramiro Gurdíán (President of UPANIC):

. . .The subject of investment came up. Gurdíán insisted that the business "climate" was a matter of market forces and was not a political issue at all, and therefore was not something they could discuss. The two were just talking a different language.<sup>19</sup>

Another typical example of the persuasion effort is a rather peculiar advertisement taken out by the government in the pro-Sandinista (private) newspaper, Nuevo Diario, the day after the nationalization decrees last July. The ad announced that 1980 fiscal tax exemptions to industrial enterprises under the Law of Protection and Stimulus to Industrial Development had totaled \$410 million córdobas, of which 80 percent went to firms in the private sector, and that private industry's share of fiscal tax exemptions had risen in the first trimester of 1981.<sup>20</sup> The timing of this reminder was obviously calculated to mitigate the reaction to the nationalization decrees.

Besides the state intervention in cattle production, two of the decrees issued last July 19 had specific impact on the sugar and milk industries. The significance of this targeting is that both industries represent goods in which there is a problematical tradeoff between popular consumption and a significant export potential. Decree No. 769 nationalized the distribution of sugar. Decree No. 759 confiscated 14 firms (including La Perfecta, a major dairy company) on the grounds of "negligent inefficiency" in their operations, adding these firms to the 120 or so already administered by the Corporación Comercial del Pueblo (CORCOP) under the Ministry of Internal Commerce (MICOIN). Also announced in the July 19 package was a reform of Decree No. 330 of February 29, 1980, the law on decapitalization, redefining illegal capital depletion to include provisions against:

- 1) simulating expenditures, debts, or losses;
- 2) manifest abandon of administration of the enterprise;
- 3) alteration of receipts or bills of sale;
- 4) unjustifiably high payments of commissions, salaries, and dividends.<sup>21</sup>

The milk and sugar cases are worth considering in more detail. At the end of 1980, COSEP published an evaluation of the performance of the government, which included a lengthy section on economic policy. The editorial board of La Prensa, which is the primary news organ reflecting the perspective of the private sector, published a similar analysis. The COSEP document, in its economic section, specifically noted gaps between production and consumption of sugar, meat, and milk. In the case of milk, according to the COSEP figures, production fell 41.7 percent from 1978 to 1980, while consumption rose 112.7 percent. Whereas surplus production in 1978 had allowed the export of the equivalent of 60 million gallons (or 50.3 percent of total production) in the form of powdered milk in 1978, shortfalls in 1980 apparently required that 49.7 million gallons of powdered

milk be reconstituted for internal consumption. For sugar, the document calculated a 27 percent increase in domestic consumption in 1980 (vs. an average annual increase of 5 percent over the previous 12 years), which it attributed to:

- 1) increase in purchasing power of an enormous sector of the country;
- 2) the creation of a consumption habit for this product in a large segment of the rural population;
- 3) consumer hoarding due to potential scarcity; and
- 4) the possible contrabanding of this product to neighboring countries where sugar brings much higher prices than in Nicaragua.<sup>22</sup>

The COSEP report also acknowledged the illegal movement of cattle to Costa Rica and Honduras.

The fascinating thing about both the COSEP and La Prensa reports is that they point to some of the very same economic problem areas which have caused concern to the government in economic planning (e.g., consumption/production/export figures for beef, milk, and sugar)--admitting falling production, low investment levels, and even decapitalization--but draw very different conclusions. The analysis of La Prensa, for example, cites the following as causes of the economic crisis: excessive growth of the central government, inefficiency in state-owned enterprises, low labor productivity, "interventionism and mistaken state policies," and declining private investment (!). This last factor was blamed on the "political climate," which was said to include

. . . fear of investing given the lack of definition of the future of the country, the manifest or veiled hostility of marxist sectors toward the private sector, suspicion that the Revolution is headed toward a Castro-type model . . . labor instability, the 40% profit tax . . . continuing confiscations of firms, fixing artificial price ceilings, etc.<sup>23</sup>

Nationalization of the distribution of sugar and of La Perfecta dairy plant were particularly costly measures for the government in terms of the subsequent "political climate" for investments, i.e. the ideological struggle for the substantive support of the bourgeoisie. One UPANIC official complained bitterly in private about the "inefficiency" which he felt would surely attend the nationalized distribution of sugar, adding that the decree reinforced his fears that the government was trying to "wipe out private enterprise."<sup>24</sup> Many business leaders criticized what they saw as the absence of a generalizable principle underlying the nationalizations.

Why, then, were these specific measures taken? The answer can be seen in terms of a short-term gap between immediate economic needs of the post-revolutionary society (some of those needs being a function of reordered priorities, as I have noted) and the concientización of private producers and popular consumers alike. There is a poster in the lobby of the main telephone office in Managua, reminding passersby that conserving sugar is a revolutionary act. But the weary revolutionary who stood muttering behind me in the sugar-ration line in the People's Supermarket one sweltering rainy season afternoon could be forgiven her momentary lapse of fervor. She hastened to add that she understood the rationale, that it had something to

do with "the thing about the foreign exchange"--a concept which was clearly less tangible, however, than the wait in the sugar line. The point is, despite the government's impressive efforts to encourage general awareness of economic issues (including publication and distribution of the annual economic plan in both "popular" and unabridged versions), popular demands do constrain policy flexibility. Given the desperate need for foreign exchange, it was necessary to reduce domestic consumption of sugar to boost exports. Rather than relying on market mechanisms whose burden would fall primarily on the popular classes, the government chose to nationalize sugar distribution.

Private sector reaction to the decree nationalizing 14 more firms was quite negative. Criticism focused particularly on two of the cases--a soap factory (Jabonería Prego), and La Perfecta dairy plant. Because the latter firm had an appeal pending in the Supreme Court of Justice at the time (under the Ley de Amparo which protects private property), the nationalization had the effect of weakening the credibility of all procedural guarantees protecting the private sector. This cognitive impact was perhaps reinforced by the perception of then-Minister of Justice Ernesto Castillo as being one of the dogmáticos in the Sandinista leadership. One month after the nationalizations, leaders of the major organizations and parties of the bourgeoisie almost without exception pointed to the case of La Perfecta as a symbol of their fears.

All of the cases discussed above illustrate the crucial importance of the perceptual level in the concrete actions of the state and private sector in the productive realm. The question of whether the Sandinistas are "really" (as opposed to tactically) committed to pluralism and a mixed economy--like the question of whether Fidel Castro was really a Marxist-Leninist in 1959--is simply the wrong question to be asking. The course of each revolution has almost certainly been the result of a much more complex set of interactions than the question would imply. If politics is the art of the possible, then revolutionary consolidation is perhaps the art of the barely possible. While some entrepreneurs and opposition politicians fail to grasp these subtleties, most are perfectly aware of the active give-and-take in which they are involved--which is why they strongly object to suggestions from the U.S. State Department that Nicaragua is "lost." Differences of perspective exist not only within the private sector, but also within the Sandinista leadership, where the discord is perhaps attenuated by the high degree of autonomy enjoyed by government ministers.

The decapitalization issue illustrates the spiral of interactions between the state and private sector. Nicaragua's economic difficulties stem from a combination of factors including Somoza's looting of the national treasury, war damage, external pressure, and administrative inexperience in the growing state apparatus (including the state-owned enterprises). Decapitalization is both a symptom of, and a contributing factor to, the general economic crisis. The government response to economic pressure includes coercive controls, such as the newly-reformed Law of Decapitalization and, more recently, the Economic and Social Emergency decrees. This leads to a cycle of falling private investment and increasing state intervention in the economy (not only nationalization, but also fiscal stimulation of the economy through public spending, credits to

agricultural cooperatives, etc.). These measures in turn affect the perceptions of large private producers regarding the prospects for a mixed economy.

In the months following the controversial nationalization last July 19th, banners in Managua proclaimed, "In response to decapitalization--nationalization!" No banners flew for the converse statement, but it can nevertheless be read between the lines in private sector proclamations. For example, a COSEP press release attacking the decrees of July 19th argued that one of the decrees ". . . will provoke a paralyzation of the commercial transactions which give economic vitality to the country."<sup>25</sup> Another private sector publication commented:

. . . The 1981 Plan has proposed . . . a considerable increase in private investment . . . Will the private sector, which due to the sociopolitical circumstances of the past year paralyzed its investments at the level of -44.9% relative to 1979, be disposed or inspired in 1981 to set out to produce and invest at the rate that would be essential to obtain the economic goals outlined by the government? There is no doubt that unless circumstances evolve toward a notable improvement in the deteriorated sociopolitical climate, and unless the negative reciprocal perceptions which today predominate between the entrepreneurial and governmental sectors change radically, the response would have to be negative.<sup>26</sup>

A similar problem of confidence-building is observable in the behavior of the petty bourgeoisie. The war damage not only caused temporary shortages of goods, but it also crippled normal retail distribution. Some shopkeepers took advantage of the resulting market disruptions, raising prices to artificially high levels. To restore rational distribution channels and stabilize prices, the Ministry of Internal Commerce created a chain of state-owned Tiendas Populares ("People's Shops"). Some shopkeepers feared that their Mom-and-Pop operations would be unable to compete with the state-run shops.

These fears were voiced last summer in a poor Managua barrio, at one of the televised "face the people" sessions at which the top Sandinista leaders regularly discuss local concerns, town-meeting style, with residents of different communities. These televised encounters are part of the new language of politics in post-revolutionary Nicaragua, another arena for the establishment or disestablishment of legitimacy. At this particular meeting, one woman told Daniel Ortega et al. that while she understood the need for the Tiendas Populares, she and her fellow shopkeepers in the Barrio 14 de Septiembre were not engaged in price-gouging. They had in fact taken the initiative in organizing a consultative arrangement with the local Sandinista Defense Committees to insure against such practices. Yet they felt threatened by the state-run shops. The government respondent commended the shopkeepers' conscientiousness and offered reassurances that the Tiendas Populares were only targeted for those neighborhoods where shopkeepers were exploiting monopoly positions. Again, revolutionary priorities conflicted with some private interests. Ultimately, the attainment of policy objectives (i.e. reasonable pricing and distribution) would depend on the shopkeepers'

consciousness of the social implications of their own business decisions, and their confidence in the government reassurances. Conversely, limitation of the spread of state-owned retail outlets as a policy instrument would depend on the successful re-socialization of the petty bourgeoisie.

In theory, the Sandinista government could choose alternative policy instruments which do not entail state ownership--for example, relying on price controls or anti-monopoly legislation instead of the Tiendas Populares, or exchange controls instead of nationalization of decapitalizing firms. However, there are a number of reasons for choosing state ownership. First, enforcement of indirect controls has been handicapped by the lack of centralized administrative resources and skills. Despite the tightening of exchange controls in September 1981 with the Social and Economic Emergency decrees and despite state controls on internal commerce, decapitalization and retail monopoly behavior have persisted, and enforcement devolved upon the Sandinistamobilized unions (CST and ATC) and neighborhood committees (CDSs). Second, real popular pressures have forced the JGRN to employ more direct remedies to solidify its base of support; a subsidized grocery store is more visible than a list of regulations. Third, the sluggish recovery of private investment has necessitated a more active state role in the economy. Finally, some members of the Sandinista leadership are ideologically predisposed, ceteris paribus, toward state ownership.

#### External Dependence and the National Bourgeoisie

Securing adequate supply of popular-consumption goods is only one of the necessities arising from the post-revolutionary restructuring of priorities. Another important goal, which becomes more urgent as external pressures intensify, and which is also closely tied to the structure of production and ownership in the country, is stated in the 1980 Plan:

The Sandinista Reactivation Program has as additional objectives, besides the traditional model of reactivation: to progressively reduce the external dependence of the people of Sandino. Therefore, reactivation cannot be conceived within the traditional framework of the free market, but rather within a planned scheme.<sup>27</sup>

This goal has engendered the promotion of basic grain production through the state agency ENABAS, diversification of external economic links, nationalization of Canadian and U.S.-owned gold mines, and a commitment to reform the Somoza-era foreign investment law of 1955 to make foreign investment complementary to national development priorities.

Although pursuit of dependency-reduction has generally entailed an increased state role in economic management, the interests of national private capital often ally with the state against foreign control. For example, the ability of the state to mobilize external resources (in the wake of the nearly \$1.6 billion foreign debt left by Somoza) determines Central Bank allocations of foreign exchange to the private sector for imports of capital goods, industrial inputs, etc. Consequently, in the successful renegotiation of the Nicaraguan debt with private banks in 1980, Robelo himself was among the most vigorous supporters of the government's position vis-à-vis the private foreign banks, as well as a supporter



of the nationalization of the teetering banking sector of the economy.<sup>28</sup> (The national banking-financial and reinsurance system was "consolidated" under Decree No. 755.)

All over Nicaragua, people talk anxiously about divisas (foreign exchange); like other economic tradeoffs, it has seeped into the national consciousness. Last summer there was a national toothpaste shortage, evidently because the product appeared on the "non-essential" import list before all the problems had been ironed out of domestic production. The foreign exchange situation, which is steadily worsening, can cut both ways in terms of state/private sector relations. The initial decision to promote basic foodcrop production over export crops is being reconsidered. The government has promulgated lists of priority imports, and some private producers have complained of inability to import needed inputs--resulting in decreased productive capacity which they fear could lead to charges of decapitalization. The "decapitalization" issue debated in the Foro Nacional (and in the newspapers, banners, graffiti, etc.) therefore extends beyond the simple outflow of cash to Miami banks; it should be seen, rather, as a shorthand for the broader dynamic of state-private sector relations.

Foreign firms have apparently been given preferential access to foreign exchange. In 1981, TNC subsidiaries reported relatively favorable operating conditions and little fear of nationalization, although some voluntarily postponed remittances abroad.<sup>29</sup> Both foreign and domestic firms anxiously awaited the new foreign investment law as a sign of things to come. Recently, there has been growing consideration of closing down industrial firms with a high import component in their operations, and it seems likely that this will be an area of substantial conflict in economic planning for the next few years.

Ratios of public/private allocations of foreign exchange, like the figures for the percentages of public and private production and the distribution of credit, have taken on symbolic as well as real importance. Thus, the then-head of the Central Bank, Alfredo César, was at pains to point out in the Fall of 1981 that 76 percent of the total foreign exchange allotted for productive activity between January and September 1981, and 70 percent of the credits in the same period, had gone to firms in the private sector.<sup>30</sup> However, as external economic pressures mount, the room for policy flexibility narrows in the short run. Debt-service payments rose from 23 percent of export earnings in 1980 to a projected 28 percent for 1981 (vs. 15 percent in 1977). Recourse to the IMF was apparently under consideration last year;<sup>31</sup> but this solution would require devaluation of the córdoba and other measures with regressive distributive impact.

#### Working Class Demands

Economic difficulties, of course, also strain the flexibility of the Sandinista class alliance by limiting the capacity of the state to defend the "social wage" of the working class. The concept of the "social wage" (i.e. total social benefits, including such "goods" as improved health care, subsidized public transport, literacy) has been publicized as a means of softening the psychic impact of necessary restrictions on money wages. Viewing the revolutionary state in Nicaragua as a mediator of objectively

contradictory interests (though clearly a mediator which has a preferred vision of the direction in which those interests should converge), it is instructive to compare the state's reaction to challenges from some fractions of the working class and from the bourgeoisie. The Trotskyist left and also the Nicaraguan Communist Party (PCN) have at times posed threats to the Sandinista project of national reconstruction. Sandinista responses have included banning the newspaper of the Trotskyist Frente Obrero, forbidding unauthorized land invasions and wildcat strikes, and jailing PCN members.

On September 9, 1981, the JGRN issued a set of national emergency decrees to deal with the worsening economic crisis. The decrees announced a series of austerity measures, including a 5 percent budget cut, a 10 percent reduction in subsidies, a hiring freeze, and 30 to 100 percent consumption taxes on imports. Central Bank regulation of currency exchange was imposed, with requirements that moneychangers obtain licenses and register all transactions, and that foreign delegations change money at the official rate. The decree included provisions against tax evasion, hoarding goods for speculation, sabotage of production, and disrupting prices. Most significantly, criminal sanctions were provided for "the dissemination of false news that might lead to the alteration of prices, salaries, food supplies or currency," and for "work stoppages, seizures of work centers or strikes, and the invasion or seizures of land that are not in accordance with Agrarian Reform Law provisions."<sup>32</sup>

Private sector reaction to the emergency decrees was mixed. Robelo's MDN issued a statement of blanket condemnation. However, COSEP president Enrique Dreyfus and other private sector leaders issued qualified endorsements of the austerity measures, expressing reservations only about the restrictions on publication of economic news. The law was almost immediately put to test. Several COSEP leaders (including Dreyfus) signed a letter published in La Prensa charging the Sandinistas with "preparing a new genocide," which led to their arrest on charges of publishing false and destabilizing statements; and three members of the Communist-led union CAUS (Confederación de Acción y Unidad Sindical) were jailed for inciting strikes during the period of "social and economic emergency." The COSEP members received 7-month jail sentences and were given pardons after serving four months. The members of the Partido Comunista de Nicaragua (PCN) accused of organizing strikes through CAUS were given 7 years, and are still in prison.

Right after the arrests, Junta member Sergio Ramirez met with COSEP representatives who expressed "the intention of continuing the dialogue with the revolutionary government, especially in regard to production."<sup>33</sup> The dialogue in fact continued, even though a new parameter had been established by the action-reaction sequence of the decrees and the letter in La Prensa. The content of the decrees, and the differential sentencing of the COSEP and PCN members, constitute part of the ongoing definition of the shifting ground on which political discourse can take place in shaping the post-revolutionary project. Direct threats to the survival of the revolutionary government (i.e. unauthorized work stoppages in time of economic emergency) are unacceptable. Indirect attacks are negotiable, with the proviso that extenuating circumstances may accord a higher priority to the public welfare than to the right to express opposition--something akin to the "fire in a crowded theater" test.

How real is the fire? On the one hand, the cry of "fire" is an assertion by the Nicaraguan bourgeoisie of their class interest. This leads the Sandinista government to attempt to influence both the subjective and objective interests of the bourgeoisie--through the "national dialogue," and through real policy modifications--to make them compatible enough with state goals to sustain the revolutionary class alliance. On the other hand, the "fire alarm" is a power resource which the bourgeoisie uses to threaten Sandinista hegemony by mobilizing forces which could overthrow the regime: economic disorder, and continued external military/diplomatic pressures. With the recent formation of a non-somocista "government-in-exile," the growing threat of a U.S.-backed counter-revolution changes the context of political opposition within Nicaragua.

How crowded is the theater? That metaphorical question cannot be answered without reference to the external threats confronting the Nicaraguan government since the Revolution. Until the full extent of external pressures is known, it is only possible to broadly outline some of the links between the international context of the Nicaraguan Revolution and the internal dynamic which I have described here.

#### External Constraints and Internal Choices

International actors have clearly affected relations between the state and private sector. For example, the conditions attached to U.S. bilateral aid to Nicaragua (including requirements which specified the percentage of the funds to be directed to the private sector), and the subsequent suspension of aid and PL-480 wheat credits, affected not only mutual perceptions of state and private sector intentions, but also the range of policy options for dealing with the problems of foreign exchange scarcity and external economic dependence.

Even before the U.S. aid suspension, USAID reshuffled funds with a conscious intent to strengthen opposition groups within Nicaragua and avoid Sandinista-mobilized organizations.<sup>34</sup> Since early November 1981, the U.S. government has been maneuvering to restrict loans to Nicaragua from the Inter-American Development Bank and the World Bank, and to pressure U.S. private banks to stop lending to Nicaragua. While there is so far no evidence of multinational banks or U.S. TNCs helping to organize a cut-off of international finance to Nicaragua (as they did to Allende's Chile), continued U.S. hostility obviously has a substantial indirect impact on international lenders'/investors' confidence and perhaps also on bilateral assistance from third countries. Moreover, the Nicaraguan private sector takes some of its investment cues from international actors.<sup>35</sup>

In November 1981, the United States organized the necessary votes in the IDB to block a \$30 million fisheries loan to Nicaragua, forcing Nicaragua to withdraw the request. In mid-January 1982, the United States unsuccessfully attempted to defeat a \$16 million World Bank loan to Nicaragua for municipal development and basic infrastructure. On 16 February 1982, a confidential World Bank report on Nicaragua was issued which specifically criticized Sandinista ideology and policies toward the private sector and recommended reductions and elimination of certain categories of loans; decision on a \$15 million agricultural loan, considered critical to the 1982 planting season, was subsequently delayed. In early March 1982, the



U.S. government was reported to be pressuring U.S. banks not to participate in a Londonbased banking consortium arranging a \$130 million loan to Nicaragua.<sup>36</sup>

Given the Bay of Pigs precedent, the recurring raids from across the Honduran border and the existence of somocista military camps in Honduras and Florida<sup>37</sup> limit the capacity of the Sandinista government to distinguish between the "loyal opposition"<sup>38</sup> and real counter-revolutionaries. The result is a narrowing of the space for dialogue with the bourgeoisie.<sup>39</sup> For example, the international context of economic and military threats contributed to the polarizing effect produced by the shooting of COSEP Vice President Jorge Sálazar in late 1980 as he allegedly ran a roadblock with a truckload of arms. Similarly, the continued military operations of somocista bands in the central part of the country may have influenced the decision to cancel a planned rally of the opposition Partido Conservador Democrata (PCD) in Chontales in January 1981. The U.S. government is reportedly engaged in the covert destabilization of the Sandinista government.<sup>40</sup> The fact that President Reagan and Secretary of State Haig have repeatedly refused to deny the reports or to "rule out any options" is in itself a destabilizing external influence. Parallels have been noted between the functions and formats of the post-revolutionary La Prensa and the CIA-backed El Mercurio in Allende's Chile, with obvious implications for the perceptual level of relations between the Sandinista government and the national bourgeoisie.

The element of timing would, of course, be crucial to an analysis of the inter-relation of external constraints and internal options. In emphasizing the subjective component of the conflict between the revolutionary state and the national bourgeoisie in Nicaragua, I have tried to point out the complexity of the process by which the Nicaraguan Revolution is defining itself. The Revolution is not simply the product of outside forces, nor an inevitable transition to socialism. On the one hand, an invasion, if it comes, would more likely be through external support for a disaffected fraction of the bourgeois opposition than through a landing of the Marines. On the other hand, the successful consolidation of the Revolution around a consensual model of political and economic organization will depend on the establishment of a hegemonic project which envelopes the private owners of the means of production. In either case, the future course of the Revolution will depend on the restructuring of attitudes of the national bourgeoisie.

<sup>1</sup>The foquista premises and their actualization are outlined in Régis Debray, Revolution in the Revolution?, trans. Bobbye Ortiz (New York: Grove Press, 1967). For the case that a radically different model is emerging in Central America today, see: Norma Stoltz Chinchilla, "Class Struggle in Central America: Background and Overview," Latin American Perspectives, Vol. VII, Nos. 2-3 (Spring-Summer 1980); Edelberto Torres-Rivas, "Seven Keys to Understanding the Central American Crisis," Contemporary Marxism, No. 3 (Summer 1981), esp. pp. 53-8; and "Left Divided Over Reactions to Central American Revolutions," Latin American Weekly Report, No. 4 (16 Jan. 1981).

<sup>2</sup>The independent strength of two Nicaraguan financial/investment groupings, clustered around the Banco de América and Banco Nicaragüense and distinct from the Somoza interests, is documented in Harry W. Strachan, Family and Other Business Groups in Economic Development: The Case of Nicaragua (New York: Praeger Publishers, 1976); and discussed in Harald Jung, "Behind the Nicaraguan Revolution," New Left Review, No. 117 (Sept.-Oct. 1979), esp. pp. 71-2 and p. 84.

For theoretical and historical commentary on dependent development in Central America, see: Edelberto Torres-Rivas, Interpretación del desarrollo social centroamericano: procesos y estructuras de una sociedad dependiente, 3rd ed. (San José, Costa Rica: EDUCA, 1973); Torres-Rivas, "The Central American Model of Growth: Crisis for Whom?," Latin American Perspectives, Vol. VII, Nos. 2-3 (Spring-Summer 1980); and "U.S. Strategies for Central America," NACLA Latin America and Empire Report, Vol. VII, No. 5 (May-June 1973). For commentary on the historical pattern of Nicaraguan development, see Richard Millett, Guardians of the Dynasty (Maryknoll, N.Y.: Orbis Books, 1977); and Jaime Wheelock Román, Nicaragua: imperialismo y dictadura (Havana: Editorial de Ciencias Sociales, 1980).

I do not intend to review here the abstract theoretical debates on whether there is a national bourgeoisie in dependent societies and if so, what their historical role might be in revolutionary movements. For a review of these debates, see: Timothy F. Harding, "Dependency, Nationalism and the State in Latin America," Latin-American Perspectives, Vol. III, No. 4 (Fall 1976); and the special issue of Latin American Perspectives on "Dependency and Marxism," Vol. VIII, Nos. 3-4 (Summer-Fall 1981).

<sup>3</sup>This point is developed in Carmen Diana Deere and Peter Marchetti, "The Worker-Peasant Alliance in the First Year of the Nicaraguan Agrarian Reform," Latin American Perspectives, Vol. VIII, No. 2 (Spring 1981); and James Petras, "Nicaragua: The Transition to a New Society," in the same issue.

<sup>4</sup>See Antonio Gramsci, Selections from his Prison Notebooks (London: Lawrence and Wishart, 1971). The concepts are useful, but I will avoid the jargon for purposes of the present discussion.

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<sup>5</sup>United Nations Economic Commission for Latin America (ECLA), "Nicaragua: Economic Repercussions of Recent Political Events," E/CEPAL/G.1091 (Sept. 1979), pp. 14, 44, 48. The same information appears in a later version, published as CEPAL, "Nicaragua: el impacto de la mutación política," E/CEPAL/G.1147 (Santiago, Chile: Jan. 1981), pp. 12-14, 16-37.

<sup>6</sup>Junta de Gobierno de Reconstrucción Nacional (JGRN), Primera Proclama del Gobierno de Reconstrucción Nacional (Nicaragua: 18 June 1979). Quotation is from p. 12. Translations here and elsewhere are by the author, unless otherwise noted.

<sup>7</sup>Interview with Alfonso Robelo, 3 May 1981, San Francisco, California.

<sup>8</sup>Stephen M. Gorman, "Power and Consolidation in the Nicaraguan Revolution," Journal of Latin American Studies, Vol. 13, Part I (May 1981). See also Richard R. Fagen, "The Nicaraguan Revolution: A Personal Report," Institute for Policy Studies (Washington, D.C.: 1981). For a thoughtful discussion of the coalescence of the opposition to Somoza and the position of the FSLN immediately after the victory, see William M. LeoGrande, "The Revolution in Nicaragua: Another Cuba?," Foreign Affairs, Vol. 58, No. 1 (Fall 1979). For a review of the terms of the Sandinista alliance with the bourgeoisie, see Donald Castillo, "Nicaragua: situación económica y alianzas políticas," Revista Mexicana de Sociología, Vol. XLII, No. 2 (Apr.-June 1980), esp. pp. 517-21. A good collection of essays on the Sandinista government can be found in Thomas W. Walker, ed., Nicaragua in Revolution (New York: Praeger, 1982).

<sup>9</sup>See John Spicer Nichols, "News Media in the Nicaraguan Revolution," in Thomas W. Walker, ed., Nicaragua in Revolution, esp. pp. 182, 194-6. Nichols points out that while the press in Nicaragua has traditionally been a "class media" rather than a mass media, La Prensa took a swing to the right after April 1980 when its editor, Xavier Chamorro (brother of the assassinated editor Pedro Joaquín Chamorro) was forced out. A majority of the staff then left La Prensa to form the pro-Sandinista Nuevo Diario, so the post-revolutionary La Prensa is really a different newspaper in all but name.

<sup>10</sup>Interviews conducted in Managua during August 1981. Several representatives of the Superior Council of Private Enterprise (COSEP) and the Union of Agricultural Producers of Nicaragua (UPANIC) expressed the belief that the FSLN was split between pragmáticos and dogmáticos--the former supposedly including Daniel Ortega and Jaime Wheelock, and the latter including Tomás Borge, Bayardo Arce, and Henry Ruíz. While this categorization certainly oversimplifies the reality, the perception nevertheless modifies the relative impact of various comandantes' speeches and actions.

<sup>11</sup>Henry Ruíz (Minister of Planning), "Reactivación, eficiencia, austeridad: ejes del Plan 81." Speech in Managua, 13 January 1981, announcing publication of the 1981 economic plan. Reprinted by Departamento de Propaganda y Educación Política del FSLN (Managua: Mar. 1981), pp. 25-6; emphasis added.

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<sup>12</sup>Jaime Wheelock Román (Minister of Agricultural Development and Agrarian Reform), "El futuro es del pueblo: la burguesía reaccionaria jamás retornará al poder." Speech in Managua, 19 Nov. 1980. Reprinted by Departamento de Propaganda y Educación Política del FSLN (Managua: Nov. 1980), p. 33; emphasis added.

<sup>13</sup>Calculated from Ministerio de Planificación, Programa económico de austeridad y eficiencia, 1981 (Managua: Centro de Publicaciones, Secretaría Nacional de Propaganda y Educación Política, Feb. 1981), p. 156.

<sup>14</sup>The \$30 million estimate came from an economic attaché of a foreign embassy, interviewed in Managua, 26 Aug. 1981. The \$140 million figure is cited in Washington Office on Latin America (WOLA), Update (Feb. 1982). In the balance of payments figures for the 1980 Plan, private capital movements are not separated from those of the state-owned Area de Propiedad del Pueblo; in the 1981 Plan, capital movements are grouped into official payments and amortizations and "other movements," with the latter category including "errors and omissions"--making it impossible to identify private capital movements. In any case these statistics only record transactions channeled through the Sistema Financiero Nacional. See Ministerio de Planificación, Programa de reactivación económica en beneficio del pueblo, 1981 (Managua: Centro de Publicaciones, Secretaría Nacional de Propaganda y Educación Política, Jan. 1980), p. 123; and Programa económico de austeridad y eficiencia, 1981, p. 162. (Hereinafter, these two documents will be cited as Plan '80 and Plan '81, respectively, as they are popularly known in Nicaragua.)

<sup>15</sup>The center of operations for the parallel market was the parking lot of the main supermarket in Managua's Ciudad Jardín section. While most of the cambistas were obviously profiteering middlemen, I found one older man in a business suit who was apparently changing money on his own behalf, and I asked him where all the dólares were going. He claimed that he himself needed dollars for a business purchase in Panama, for which the Central Bank did not have sufficient foreign exchange to extend him. However, he acknowledged that many of his associates used the parallel market to get their money into Miami banks.

<sup>16</sup>The 1979-80 figures are from Plan '81, p. 64; 1981 estimate from interviews, Managua, Aug. 1981.

<sup>17</sup>Beef export volumes and prices are from Plan '81, p. 64; supply and demand for sorghum and corn from Plan '81, pp. 35 and 74. COSEP calculations are from COSEP, "Análisis sobre la ejecución del programa de Gobierno de Reconstrucción Nacional" (Managua: early 1981?), p. 14.

<sup>18</sup>National Directorate speeches in Managua's Plaza 19 de Julio announcing the decrees, as reported in Nuevo Diario, 20 July 1981.

<sup>19</sup>Interview, Managua, 26 Aug. 1981.

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- <sup>22</sup>COSEP, "Análisis . . .," pp. 13-14.
- <sup>23</sup>Humberto Belli P., "Nicaragua en la encrucijada: unidad o caos" (Managua: La Prensa, special supplement, mid-1981?), p. 5. Emphasis added.
- <sup>24</sup>Interview, Managua, Aug. 1981.
- <sup>25</sup>COSEP, "El Consejo Superior de la Empresa Privada COSEP, denuncia ante el pueblo de Nicaragua y ante los pueblos libres del mundo lo siguiente," press release (Managua: 31 July 1981). See also the ad taken out by private sector organizations in La Prensa, 7 Aug. 1981.
- <sup>26</sup>Belli, "Nicaragua en la encrucijada," p. 6; my emphasis.
- <sup>27</sup>Plan '80, p. 113. Emphasis added.
- <sup>28</sup>Interviews with participants on the Nicaraguan side of the debt renegotiations, July and August 1981.
- <sup>29</sup>Interviews with officials of the American Chamber of Commerce in Nicaragua and the U.S. Embassy. See also: "Survey Finds Most MNCs Receive Fair Treatment From Sandinistas," Business Latin America (12 Aug. 1981), pp. 249-51.
- <sup>30</sup>Foreign Broadcast Information Service (FBIS), Daily Report - Latin America, Vol. VI, No. 209 (29 Oct. 1981).
- <sup>31</sup>Debt-service figures from Plan '81, pp. 160-1. The prospective IMF visit was reported in: William Chislett, "Nicaragua May Turn to IMF for Aid," Financial Times, 3 March 1981.
- <sup>32</sup>FBIS Daily Report - Latin America, Vol. VI, No. 175 (10 Sept. 1981). See also Washington Office on Latin America (WOLA), Update, Vol. VI, No. 5 (Sept.-Oct. 1981), pp. 4-5.
- <sup>33</sup>FBIS Daily Report - Latin America, Vol. VI, No. 209 (29 Oct. 1981).
- <sup>34</sup>For example, an AID official interviewed in August 1981 in Managua told me: "AID has supported FUNDE and INDE (Fundación Nicaragüense de Desarrollo and Instituto Nicaragüense de Desarrollo). FUNDE had a village-level educational program that we supported, and INDE had a program called EDUCREDITO for student loans, and other programs which provided credit for building schools, community centers, etc. FUNDE also started a fund which was actually very similar to the fund which AID set up for community development. Our community development fund was coordinated by Nicaraguan