

UNITED NATIONS RESEARCH INSTITUTE FOR SOCIAL DEVELOPMENT

Discussion Paper N° 2

THE PEASANT QUESTION AND DEVELOPMENT
POLICY IN NICARAGUA

by

Peter Utting

UNRISD Discussion Papers are preliminary documents circulated in a limited number of copies to stimulate discussion and critical comment.

February 1988

The United Nations Research Institute for Social Development is an autonomous United Nations activity, established for the purpose of conducting research into "problems and policies of social development and relationships between various types of social development and economic development during different phases of economic growth". The studies of the Institute are intended to contribute to (a) the work of the United Nations Secretariat in the field of social policy, social development planning and balanced economic and social development; (b) regional planning institutes set up under the auspices of the United Nations; (c) national institutes in the field of economic and/or social development and planning.

ISSN 1012-6511

The designations employed in UNRISD publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of UNRISD concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by UNRISD of the opinions expressed in them.

Contents

	<u>Page</u>
Preface	i
Introduction	1
I. The Peasant Problem and Planning Imbalances	3
II. Redefining Policy Towards the Peasantry	14
Notes	27
Bibliography	33

List of Tables

<u>No.</u>	<u>Page</u>
I. Rural Class Structure in Nicaragua, 1984	4
II. Production of Maize and Beans	8
III. Land Redistribution in Nicaragua, 1981-1986	16
IV. Evolution of Relative Prices: Agricultural Products Versus Basic Manufactures, 1978-1987	18
V. Sown Area of Maize and Beans	22

PREFACE

Food policy reforms associated with reduced state intervention in the production and marketing of agricultural products and increased producer prices are an increasingly prominent feature of the development strategies of many Third World economies. Major reforms with many similar characteristics are also being implemented in a number of the socialist countries of Africa, Asia and Latin America. This paper analyses the changes in food and development policy which have occurred during the past three years in post-revolutionary Nicaragua. It focuses particularly on how such reforms sought to deal with the peasant question. The latter is analysed in terms of four central problems or issues: the growth of overall food production; the so-called extraction of surplus; the improvement of the levels of living of the rural poor; and the integration of the peasantry in the dominant class alliance exercising state power.

Following 1982, a combination of factors associated with war, external economic pressures, declining export revenues, and institutional and planning limitations had a negative impact on each of these aspects. The paper analyses how the government sought to deal with the peasant question and respond to pressures from an increasingly powerful organization of small agricultural producers by attempting to correct a series of planning imbalances or biases which had tended to favour the urban and state sectors, as well as longer term investment in resource allocation. Particularly important were measures taken to shift the domestic terms of trade in favour of peasant producers, increase the quantity of goods and services reaching rural producers and accelerate the process of land redistribution.

The paper is divided into two main sections. The first analyses the nature of the peasant question, looking particularly at the role of planning imbalances in undermining the position of the peasantry. The second section analyses the content of the policy changes involved and assesses their impact. Some of the issues raised in the paper, namely those relating to the social impact of the economic crisis and to food

pricing and marketing reforms, are intended to be covered more fully in a series of case studies under the current research programme of the Institute.

Dharam Ghai
Director

THE PEASANT QUESTION AND DEVELOPMENT POLICY IN NICARAGUA

Peter Utting 1/

"We know that ... only agreement with the peasantry can save the socialist revolution ... let us re-examine our policy ... We must try to satisfy the demands of the peasantry who are dissatisfied and disgruntled ... it will take essentially two things to satisfy the small farmer. The first is a certain freedom of exchange ... and the second is the need to obtain commodities and products." Lenin 2/

Introduction

In many post-revolutionary societies, the transition process towards some form of socialist model of development has been accompanied by external aggression and war, decapitalization and flight of human resources, acute foreign exchange shortages and a decline in labour productivity. 3/ Under these conditions development can easily assume the form of a zero-sum game in which one group's gain is another's loss. This situation may be mitigated partially by large-scale inflows of "solidarity" aid and deficit spending but these in turn are likely to generate additional economic and planning difficulties. In practice, the possibility of achieving a more equitable distribution of resources through the planning of production, distribution and investment tends to be restricted by a variety of structural, technical and material constraints. Moreover, production and living levels of important socio-economic groups can be undermined by certain planning imbalances or biases favouring rapid industrialization, the "modern", the urban, the collective or state sectors.

Within the context of these conditions and constraints, the peasant question looms large as one of the central development problems in the transition period. This question has generally centred on four basic issues: the growth of overall food and agricultural production, the so-called "extraction of surplus" to provide wage goods and investible resources, the improvement of living levels of the peasantry and the integration of the latter in the dominant class alliance exercising state power.

Problems associated with these aspects have forced a number of post-revolutionary states to rethink development strategy and introduce policy changes which implicitly recognize the limits of central planning and direct state control over production and distribution. As stated by Fitzgerald when referring to the case of peripheral socialist economies: "Planning ... is severely limited by the fact that neither foreign prices ... nor all basic needs provision ... are under state control. Central aspects of economic strategy must therefore be the management of commercial relationships with the world economy ... and with the small-producer sector ... rather than the planning of production in the state sector itself." 4/

Such changes in policies are likely to emphasize the need to improve the terms of trade from the point of view of the peasantry and to increase the provision of goods and services to rural areas. As indicated in the quote which introduces this paper, the major modifications in food policy proposed by the Bolsheviks in 1921, when the "surplus-grain appropriation system" was abandoned in favour of the "tax-in-kind system", focused on these two aspects as the means of reactivating a stagnant agricultural sector and dealing with the problem of peasant discontent. Similar issues have been at the heart of more recent policy changes in countries like Mozambique and Vietnam. 5/

This paper looks at how the Nicaraguan state has dealt with the peasant question in recent years. 6/ It is argued that in response to changing circumstances associated with the war, economic crisis and peasant discontent and mobilization, the government altered its development strategy after five years in power. This change was reflected in a series of policy reforms introduced between late 1984 and 1987 which attempted to correct a number of planning imbalances that had favoured the urban population, state sector enterprises and longer term investment, thereby restricting the access of important sectors of the peasantry to essential resources. The first section of the paper analyses the nature of the "peasant problem" and, within the context of the various constraints contributing to this problem, focuses particularly on the question of planning imbalances. The second section analyses the content of the policy changes involved and assesses briefly their impact.

I. The Peasant Problem and Planning Imbalances

The commitment of the Sandinistas to radically transform rural social structure and social relations to benefit the peasantry was explicitly outlined as early as 1969 with the publication of the **Historical Programme of the FSLN** 7/, ten years before the overthrow of the Somoza dictatorship. This document called for an immediate and massive "land to the tiller" redistribution programme; the elimination of *latifundia*; an agricultural development plan to diversify and intensify peasant production; improved access of peasant producers to credit, technical assistance and markets; compensation for "patriotic landowners" affected by the agrarian reform; the organization of peasant producers in cooperatives; the abolition of informal debt; and the creation of improved employment opportunities for the rural population to overcome the problem of seasonal unemployment. 8/

Many of these points would shape the broad agrarian reform programme initiated by the new revolutionary government in 1979. Important differences in emphasis arose, however, regarding the pace of redistribution and the relative importance assigned to different forms of property in resource allocation. Priority was clearly given to state sector enterprises (the Area of People's Property - APP), formed on the basis of the confiscation of *Somocista* properties. 9/ Also, the actual process of land redistribution to the peasantry started relatively slowly. Of a total rural population of approximately 1.4 million in 1984 (some 225 thousand families) there were an estimated 123 thousand families which were potential beneficiaries of the land redistribution programme. 10/ Of these, however, only 31 thousand families (25 per cent) had received new lands by the end of that year. In Table 1 it can be seen that "poor peasants and seasonal workers" still constituted the largest social category in the Nicaraguan rural class structure in 1984.

The agrarian reform programme focused its attention primarily on transforming credit and marketing structures, as well as the organization of the peasants both at the level of cooperatives and trade union organization.

The **credit system** was radically transformed in two important respects. Firstly, the sectoral allocation of credit changed, giving priority

Table 1

Rural Class Structure in Nicaragua, 1984
(percentage of economically active population in agriculture)

Agricultural bourgeoisie <u>1/</u>	2 %
Middle and rich peasantry <u>2/</u>	24 %
Cooperatives <u>3/</u>	13 %
Poor peasantry and seasonal workers <u>4/</u>	43 %
Permanent wage and salaried labour <u>5/</u>	18 %
TOTAL	100 %
<hr/>	
Total rural population	1.4 million
Total national population	3.2 million

Source:

Based on CIERA (1985); S. Barraclough and M. Scott, **The Rich Have Already Eaten**, Transnational Institute, 1987, Table 3, p. 98; E.V.K. Fitzgerald, "Notas sobre las Fuerzas de Trabajo y la Estructura de Clases en Nicaragua", in **Revista Nicaraguense de Ciencias Sociales**, No. 2, 1987, pp. 36-37.

1/ Refers to agricultural producers with over 200 manzanas (141 ha.).

2/ Refers to agricultural producers with less than 200 manzanas who do not sell their labour to any significant degree.

3/ Refers to producer cooperatives in which most land, means of production and profits are collectivized.

4/ This category includes persons who may have partial access to land but who depend primarily on the sale of labour power.

5/ Also includes farm technicians and administrators.

to agriculture and industry (the so-called "productive" sectors). Between 1977 and 1982, the share of total credit accounted for by agriculture increased from 36 to 48 per cent, while that of commerce and housing declined from 42 to just 9 per cent. ^{11/} Secondly, the access of the peasantry to credit improved markedly, breaking the historical constraint of scarce and expensive credit for this social group. ^{12/} Before the revolution (1977), only 10 per cent of agricultural/livestock bank loans went to small producers. In 1980 this figure had nearly trebled to 27 per cent, reaching 31 per cent in 1985. The number of peasant families receiving bank credit increased from 28 thousand before the revolution to an average of 86 thousand between 1980 and 1983. ^{13/} In addition, preferential and highly subsidized rates were offered to small producers, particularly cooperatives, while the banks adopted a flexible attitude towards debt repayment, announcing in 1984 a moratorium on the repayment of much of the peasant debt accumulated during the early years of the revolution.

Access to cheap credit was a crucial mechanism for transforming the type of exploitative social relations that had characterized the *Somocista* development model. These had rendered the peasant producer extremely vulnerable to large landowners and merchants which lent money at usurious rates and engaged in future purchases of harvests at very low prices or in share-cropping arrangements whereby limited means of production were provided in return for a considerable share of the harvest. The new credit relations enabled many producers to bypass these types of relations.

The **marketing system** for basic grains and essential goods underwent several major transformations. Following the revolution, the government introduced guaranteed producer prices for most peasant products with the notable exception of perishables such as fruits, vegetables and plantains. Food pricing policy had three broad objectives: to correct the historical inequalities of a marketing system that left the peasant producer receiving minimal prices for produce sold to merchants; to minimize the adverse effects on both the small producer and the consumer of major price fluctuations; and to improve the access of the low-income consumer to basic food products through reduced prices. The latter aspect led to allocation of consumer subsidies on a range of major food products

(including grains, beans, sugar and milk), as well as the establishment of both an extensive network of official price stores in state and private hands, and regional and family quotas for a limited range of basic food products to ensure a more equitable distribution of available supply.

State procurement levels of peasant products increased rapidly following 1980. Purchases of beans by the state grain marketing agency ENABAS, reached 28 thousand metric tonnes in 1983, approximately half national production and roughly 80 per cent of marketed production. In 1984 ENABAS purchased nearly 59 thousand metric tonnes of maize or 27 per cent of the national crop and roughly half of marketed production.

As will be analysed in more detail later, policies and programmes associated with the distribution of basic goods tended to be far more effective in the urban areas. Where considerable strides were made during the early 1980s, however, was in the establishment of an extensive network of state stores selling agricultural inputs and implements in rural areas.

This period also saw the **organization of much of the peasant population** in cooperatives. The cooperative movement was virtually non-existent before the revolution. There were in 1978 an estimated 42 credit and service cooperatives with 9,270 members. By the end of 1982 over 2,800 agricultural cooperatives of different types had been formed under the government's agrarian reform programme. By the end of 1986 this sector accounted for 21 per cent of the land, 35 per cent of production for the internal market and 21 per cent of agro-export production. ^{14/} Some 76 thousand families or a third of all rural families, were integrated in these cooperatives, which were generally of two types: production cooperatives (accounting for 45 per cent of all land held by cooperatives) where land, means of production and profits were collectivized and controlled by a board elected by the members; and credit and service cooperatives where the land was worked on an individual basis but producers organized on an associated basis their credit requirements and possibly certain other services.

Production cooperatives were assigned a high priority in resource allocation and it is probably this social sector that has made the most significant advances in terms of material well-being. Advances in production, though, were less than expected, a fact which contributed to a major reassessment of state policy towards the cooperative movement in later years. As pointed out by the Minister of Agricultural Development and Agrarian Reform in his annual evaluation of the performance of the agricultural sector in 1986, the "humanistic" content of the agrarian reform had exceeded the economic, by overemphasizing "hand-outs" of land and credit while neglecting aspects of economic organization related to the provision of essential goods and services, the use of family labour, the training of cooperative members in basic administrative and accounting procedures as well as investment. 15/

A key feature of the Sandinista revolution has been the organization of low-income rural and urban social groups at the national level and their participation in the policy process. Organizations representing industrial workers and public employees, agricultural labourers, women, youth, and urban dwellers expanded rapidly following the revolution. Initially, however, peasant producers had little direct representation. This situation changed abruptly in 1981 with the formation of the National Union of Farmers and Cattlemen (UNAG) which grew to incorporate more than half of the country's agricultural producers and become one of the country's most powerful mass organizations.

Developments in these areas were instrumental in improving production and living levels of a significant proportion of peasant producers during the early years of the revolution and in integrating much of peasantry in the dominant class alliance exercising state power. Significant gains were achieved during the 1981-82 period when the state became more supportive of peasant grain production. 16/ The situation of the peasantry, however, became increasingly difficult following 1982. That year saw the escalation of US government efforts to destabilize the Nicaraguan economy and regime. The former increased military support for the anti-Sandinista rebels and pressured for the suspension of loans by multilateral lending agencies such as the World Bank and the Inter-american Development Bank. 17/ The declining trend in export earnings (which fell from \$500 million in 1981 to \$231 million in 1986) also began

in 1982, reflecting both the fall in world commodity prices and the response, in terms of lower levels of production and investment, of certain sectors of private enterprise to low prices and broader political and economic conditions associated with rapid structural change. Also important were a series of planning imbalances that intervened to undermine broad policy objectives aimed at stimulating production and improving living levels. The nature of each of these will be examined later.

Constraints such as these had a negative effect on each of the four components of the peasant question referred to earlier. **Food and agricultural production** levels generally declined following the 1983/84 crop year. This was due to a large extent to the impact of the war which had the effect of disarticulating peasant economy in much of the interior of the country where the production of key products such as maize, beans, coffee and livestock (milk and beef) was concentrated. The massive displacement of an estimated 250,000 people from the regions affected by the fighting (17 per cent of the total rural population) plus the incorporation of men into both armies, left large farming areas abandoned and the rural economy depleted of labour reserves. At the same time supply systems linking rural and urban markets were seriously disrupted, intensifying the problems of shortages of essential inputs, implements, consumption goods and transport resulting from foreign exchange restrictions and planning imbalances. ^{18/} In 1984, it was estimated that the war had contributed to the loss of a third of the coffee and basic grains crops in the war regions affected by the fighting. ^{19/} Livestock and dairy production, another important activity of peasant producers, was also seriously affected. Increases in production recorded in several product sectors between the 1980/81 and 1983/84 agricultural cycles were subsequently reversed until 1986/87. Production data for maize and beans are presented in Table II.

Table II
Production of Maize and Beans
(thousands of metric tonnes)

Product	1977/78	1980/81	1983/84	1985/86	1986/87*
Maize	178.9	181.3	213.7	202.4	214.0
Beans	40.6	28.3	55.6	46.5	59.2

Source: MIDINRA

* Preliminary estimate - February 1987

The **extraction of surplus** grain 20/ (over and above that retained by the peasant household for food, animal feed and seed) via purchases by the state procurement agency ENABAS, fell following the 1983/84 cycle. This was particularly evident in the case of beans which represent for the peasant producer more of a cash crop than maize. ENABAS procurement levels for beans (for two of the three main harvest periods) collapsed by 83 per cent, from 15 thousand to 2.6 thousand metric tonnes between the 1983/84 and 1985/86 agricultural cycles. 21/ The sale of milk to processing plants producing pasteurized and powdered milk primarily for urban markets, also fell sharply during this period.

The extraction of surplus in value terms was particularly affected by the fall in production of certain agro-export crops, the procurement and export of which was monopolized by the state. Most important in this respect was coffee which was produced to a significant extent by middle and rich peasant producers. Moreover, coffee production was dependent on the poor peasantry or "semi-proletarians" for harvest labour. As real wages fell and access to land increased many traditional coffee pickers failed to turn up for the harvests and the state had to rely increasingly on inexperienced voluntary pickers from the city. Additional problems associated with smuggling and, notably in 1987, the sale of raw coffee beans for internal consumption outside the state marketing channels, reduced the government's foreign exchange revenues from this source.

The **levels of living** of significant sectors of the peasant population were seriously affected. With the escalation of the war in the interior of the country and border areas, rural social services which had expanded rapidly between 1980 and 1982 were disrupted. Many schools and health centres had to be closed. By the end of 1984 it had been estimated that the suspension of social services had deprived 36,775 students of primary and adult education, while 225 thousand rural inhabitants had been left without access to health services. 22/ Social infrastructure also became a target of Contra attacks. 23/ Restrictions on the availability of basic goods in rural areas, the deterioration of the domestic terms of trade from the standpoint of the rural producer, as well as declining levels of production and marketed surplus, all contributed to a general deterioration in living levels for many peasant families and communities. As

indicated above, many were forced to abandon their lands and homes altogether. By the end of 1986, 110 thousand people had been relocated in rural resettlement schemes. 24/ Although they received a high priority for the allocation of material resources and the provision of social services, living conditions were rudimentary, while culturally adaptation to a life away from traditional communities proved extremely difficult.

On the political front, we see during this period a **weakening of the base of peasant support** for the revolution in certain regions of the country. Some opposition parties were able to capitalize on peasant discontent. The highly positive results achieved nationally by the Sandinista Party in the 1984 elections were far less in evidence in many rural areas with relatively large peasant populations. 25/ Moreover, peasant populations in the more isolated areas of the country with marginal or no access to government development programmes yet feeling the effects of shortages, inflation and government military service were susceptible to the ideology of the Contras. In describing the process of the rise and fall in the strength of the Contras between 1981 and 1987, the Nicaraguan current affairs review **ENVIO** writes: "Following a difficult beginning, the FDN (the main military wing of the Contras) made a significant comeback in 1983 and 1984. It acquired an incipient social base among the peasantry in the outlying areas of the interior regions. This, combined with the tactics of forced recruitment of the peasant population, enabled the FDN to increase its numbers from five thousand men in 1982 to 12 thousand in 1983 and to 15 thousand in 1984." 26/ The article goes on to point out that as a consequence of these developments, the Contras were able to extend the war from the border regions to the interior of the country and depend not only on supply routes from Honduras and Costa Rica but also on internal sources.

The political problem from the Sandinista's point of view was, however, even more complex. Sandinista ideology identified the working class and the peasantry as the "fundamental classes" of the revolution 27/, both in terms of the latter's key support groups and as the primary subjects of development. Rapid rural to urban migration was, however, continually depleting the ranks of the peasantry. Moreover, the newcomers to urban areas were not becoming "productive" factory workers but what the government labelled "unproductive" informal sector workers,

largely engaged in commercial, often speculative or black market, activities which undermined attempts to impose a degree of social control over the economy.

This overall exacerbation of the peasant problem was a major component of a more generalized "crisis" to which the government responded in late 1984 and 1985 with a series of policy measures which implied an important shift in development strategy. Given the nature of the constraints involved, its room for manoeuvre was limited. The problems associated with the war and shortages of foreign exchange were clearly not going to find quick solutions. A space existed, however, for the government to deal with the peasant question and "manage the crisis" by taking measures to correct the type of planning imbalances that had aggravated the situation. As the agricultural producers' organization rapidly grew in strength, pressure for change also built up "from below". What then was the nature of these imbalances?

Firstly, there was the phenomenon of **urban bias** ^{28/} which was reflected most explicitly in a cheap food policy and the planned distribution system for essential goods which, in 1982 and 1983, had established family and/or regional quotas for products such as grains, sugar, vegetable oil, flour, salt and soap to be distributed via a territorial network of official price stores. Official producer prices established for certain products associated with peasant production, such as beans, maize and milk, failed to keep pace with the prices of many basic manufactures purchased by the peasant household (see Table IV). Another essential component of cheap food policy, namely food subsidies benefitted mainly urban consumers, as did the family quota system for essential products. Even the regional distribution system, which had intended to correct the historical bias whereby distribution was centred on Managua, tended to concentrate products in the main provincial towns.

Shortages of basic manufactured goods acted as a disincentive to peasant production and contributed to the deterioration in the terms of trade from the point of view of the peasant producer. Other policies which had the effect of displacing traditional agents engaged in urban/rural trade aggravated the situation by rupturing marketing circuits. In this sense, a number of policies aimed at correcting historical inequities

in the marketing system, provoked unwanted dislocations in production and distribution systems. 29/

The phenomenon of urban bias must be understood with reference to the predominantly urban character of the insurrectionary struggle, the dominant class alliance which came to power in 1979, and the national demographic structure. 30/ Urban mass organizations, in contrast to their rural counterparts, assumed an active role in reinforcing state initiatives to reorganize the distribution system for basic consumption goods. From the planning point of view, the state encountered serious administrative and material limitations which restricted the coverage of the system. Planners attempting to reach the maximum number of people with limited resources felt justified in focusing attention on populations concentrated in small areas, i.e., cities and towns, particularly when faced with the objective difficulties of establishing a quota system among a highly dispersed and mobile population in rural areas, above all in areas affected by the war.

Secondly, there was a clear **state sector bias** in the allocation of resources determined by the plan. Key production and investment resources were concentrated in state agricultural and agro-industrial enterprises, which were considered the "engine of growth" for the economy. Where this planning imbalance was perhaps most apparent related to the allocation of investment resources which tended to be concentrated in relatively large-scale projects in the state sector. The Minister of Agricultural Development and Agrarian Reform alluded to this problem when he addressed delegates at the First National Congress of the Peasantry held in April 1986: "We began to execute many projects, and given our desire to increase production rapidly and because we were involved in a process of land redistribution, we could not articulate the investment programme with the peasant movement or the sector of small- and medium-sized ranchers who are still waiting for the Revolutionary Government and the Ministry of Agricultural Development to design a comprehensive investment programme for their benefit. Considerable resources were channelled towards high technology and irrigation projects while the peasantry did not receive the same treatment." 31/

The additional problem existed that the state enterprises assumed a somewhat enclave character with limited articulation with other local forms of property and farming systems. This relation (or lack of it) contrasted sharply with the pre-revolutionary model where large land-owners performed a series of functions which, while contributing to the reproduction of poverty, were also necessary for the reproduction of the peasant household (provision of credit, certain inputs, transport, consumption goods, etc.). The transformation of social relations associated with revolutionary change, disarticulated this system and the failure of state enterprises to substitute these functions made the access of some peasant producers to essential goods and services even more difficult. The state, of course, did attempt to substitute many of these functions. It did so, however, by setting up a complicated network of institutions and service enterprises. As explained by the Vice-Minister with responsibility for the agrarian reform: "We substituted the logic of (the previous) system with another based on a combination of institutions and enterprises ... for example, in Jalapa (a highly productive zone in the North of the country) there are 16 different organizations which provide goods and services for agricultural production and the poor producer has to deal with all of these." 32/

The **planning imbalance favouring investment** over consumption emerged clearly in 1982 when resources were increasingly concentrated in relatively large and slow-yielding development projects. In that year investment accounted for 21 per cent of GDP. As more and more resources were channelled towards large-scale development projects, the tension between investment and consumption increased. Between 1980 and 1984 the composition of imports altered considerably as capital goods destined for industry and agro-industry increased their share from 7 to 18 per cent of total imports, while the proportion of non-durable consumer goods was reduced from 24 to 13 per cent. This tension contributed to the problems of shortages of basic consumer goods that became increasingly apparent from 1982 onwards. Financing so many large-scale, slow-yielding projects also added to inflationary pressures which derived primarily from the deficit spending required to finance the war, an expansionary credit policy coupled with low recuperation rates, foreign exchange losses and stagnant or declining production levels. 33/ The public investment programme, while overly ambitious to start off with,

became unsustainable while the country was at war. As explained by President Ortega during a speech commemorating the 8th anniversary of the revolution:

"We began with great expectations, attempting to resolve problems which had been with us since colonial times ... In the midst of a war, we have had to shoulder the burden of multiple investment projects that imply an extraordinary effort for the country. We are now trying to ... explain to functionaries of the Revolutionary State that we should be strong enough and sincere enough to speak to the people to tell them what exactly is possible and not undertake to resolve things we are unable to resolve." 34/

II. Redefining Policy Towards the Peasantry

To deal with the worsening economic situation the government introduced in February 1985 a comprehensive package of measures designed to contain growing macro-economic disequilibria, boost agricultural production, curb parallel trading activities and the rapid growth of the urban "informal" sector, and protect the levels of living of specific social groups. Subsidies were reduced, a freeze imposed on central government employment levels and expenditures in certain sectors, stricter priorities established for investment projects, the national currency devalued, considerable price increases announced for agricultural producers, access of the working class and the peasantry to basic manufactures improved, productivity incentives introduced for agricultural and industrial workers, significant wage increases announced for the working class and state employees, a number of controls imposed on informal sector trading activities and new taxes imposed on merchants and self-employed professionals. 35/

The policy changes introduced to deal directly with the peasant problem were a crucial component of this broader set of measures geared towards maintaining what was labelled a "survival economy". This involved, on the one hand, gearing the pattern of resource allocation more towards defence and the production of essential goods and, on the other, shoring up what were the revolution's weakest political flanks, namely relations with the peasantry and the ethnic populations of the Atlantic Coast. 36/

When analysing the nature of the peasant question in Nicaragua and the response of the state, it would seem useful to identify two sets of problems. The first relates to the peasantry in the war zones and the more isolated areas of the country. The second concerns peasant households (including cooperative members) whose reproduction is to a large extent dependent on commodity relations. To deal with these two subjects of the peasant question, different approaches on the part of the state were required.

The problem of the peasantry in the interior of the country where the war was being waged, could not be tackled by economic policy reforms alone but required a far more integral approach. In mid-1985 a special plan was drawn up to deal specifically with the peasant question in the two northern interior regions of the country (Regions I and VI) where much of the peasant population was located and which at that time were the main theatres of war. 37/ The importance attached by the Sandinistas to resolving the peasant problem in these regions was reflected in a decision to assign on a full-time basis, one member of the party's nine-man National Directorate to oversee the formulation of the plan. The latter contained seven specific objectives 38/: (1) to satisfy the increasing demands of the poor peasantry for land; (2) to improve the supply and distribution to rural areas of agricultural inputs, work implements and certain basic consumption goods; (3) to transform the role of the state agricultural enterprises away from entities that competed for resources with other local producers to ones that provided services to stimulate local production; (4) to reorganize procurement and distribution networks by expanding the role of the state in wholesale activities and encouraging greater participation of private agents in retail activities; (5) to improve the transportation system to facilitate the movement of people and goods; (6) to resettle populations affected by the war; and (7) to reorganize defence activities on a territorial basis in order to increase the capacity of each locality to defend itself.

Considerable emphasis was placed on accelerating the agrarian reform process, particularly in the Departments of Matagalpa and Jinotega (Region VI) where land redistribution had been slow. By mid-1985 it was estimated that 40 per cent of the peasantry in that region still encountered serious problems of land. 39/ At the national level the

number of families receiving new land increased from an annual average of 10 thousand between 1982 and 1984, to 15.6 thousand in 1985 and 1986. Particularly important was the new emphasis on redistribution to individual producers and not just to production cooperatives. The amount of land distributed to individual families increased from an annual average of approximately 11 thousand hectares between 1982 and 1984 to 99 thousand in 1985 and 1986. As indicated in Table III, between 1984 and 1986 the number of families receiving new lands doubled from 31 to 62 thousand. By the end of 1986 nearly a million hectares (of a total agricultural area of 5.6 million hectares) had been redistributed to the peasantry.

Table III

Land Redistribution in Nicaragua, 1981-1986
(Area in thousands of hectares)

Beneficiary	Oct.81-82	1983	1984	1985	1986	Total
- Cooperatives	78.2	189.8	173.4	127.3	139.8	708.5
- Individuals	16.4	9.2	11.1	100.7	97.5	234.9
TOTAL	94.6	199.0	184.5	228.0	237.3	943.4
No. of beneficiaries*	9,141	9,962	12,384	15,470	15,741	62,698

Source: Ministry of Agricultural Development and Agrarian Reform

* No. of families receiving new lands

In order to accelerate the redistribution process it was necessary to amend the 1981 Agrarian Reform Law which had established generous limits of 350 hectares in the Pacific coastal region and 700 hectares in the interior regions that an inefficient or unproductive landowner could possess before being liable to expropriation. The revised law of January 1986 effectively did away with these limits, thereby expanding the potential pool of land available for redistribution. Large private producers, however, were not significantly affected by the new law. Both in the interests of national unity and in response to a redefinition of the role of the state sector in the economy (discussed below), particular emphasis was placed on the redistribution of farming land controlled by state enterprises. As lands were handed over to cooperatives and

individual peasant families, the size of the state farm sector decreased from 1.2 million hectares in 1983 to 761 thousand by the end of 1986, that is, from 20 to 13 per cent of the total agricultural area.

To treat the problem of the peasantry dependent on commodity relations more specific policy changes were required in order to correct the planning imbalances outlined earlier which had restricted the access of the peasantry to goods, services and infrastructure.

The problem of urban bias was tackled by **attempting to shift the terms of trade in favour of rural producers**. A series of measures were implemented affecting relative prices and the supply of so-called "peasant goods". Through the Peasant Supply Programme the Ministries of Agricultural Development and Agrarian Reform (MIDINRA) and of Internal Trade (MICOIN) gave priority to the supply of 38 basic means of production and consumption goods to rural areas. The number of privately owned rural retail outlets working within the MICOIN system was expanded. In addition, the agricultural producers' association, UNAG, concerned with the institutional limitations which had restricted the state's capacity to supply rural areas, decided to involve itself directly in the task of supplying the countryside. With considerable assistance from the Swedish Government and several NGOs, the UNAG rapidly set up an extensive network of "peasant stores" which numbered more than a hundred by the end of 1986.

Changes in pricing policy sought to alter the relative prices of basic grains and manufactures which had been steadily deteriorating from the point of view of the peasant producer. Large increases in producer prices were announced as early as late 1984 and again the following year but it was not until 1986 that a significant shift in relative prices occurred, reflecting both the substantial increases of approximately 450 and 750 per cent in the official prices of beans and maize respectively that year, and the increased supply of manufactures to rural areas at regulated prices. ^{40/} In Table IV it can be seen that (producer) price increases for maize, beans and milk during the 1985-87 period were more than double those of certain basic manufactured products. This situation contrasted sharply with that of the previous period (1978-85) when price increases for articles such as clothing far outstripped those of food.

Table IV

Evolution of Relative Prices: Agricultural Products Versus Basic Manufactures, 1978-1987

Product	Unit	Price		(cordobas) 1/		X increase. 3/		Maize equivalent (lbs.) 4/	
		1978	1985	1985	1987	1985/78	1987/85	1978	1985
Maize	Quintal 2/	45	1000	50000		22	50	NA	NA
Beans	"	110	2300	85000		21	37	NA	NA
Milk	Gallon	5.8	162.5	6500		28	40	NA	NA
Machete	-	22	400	8000		18	20	49	40
Rubber boots	-	18	500	7700		28	15	40	50
Trousers	-	22	2300	35000		105	15	49	230
Shirt	-	10	1400	19000		140	14	22	140
									38

Source: Based on data from the Centre for Research and Studies of the Agrarian Reform (CIERA)

1/ Prices of food products refer to producer prices; prices of manufactures refer to retail prices.

2/ Quintal = 100 lbs.

3/ Number of times prices increased over the period indicated.

4/ Value of manufactured item expressed in pounds of maize.

For the 1985/86 agricultural cycle, trade in basic grains was partially liberalized enabling private merchants to buy grain. This they did, normally at double the price paid by ENABAS. The "free trade" measure was first applied in the three interior regions of the country where the atomized and dispersed character of grain production and the war had prevented ENABAS from organizing an effective procurement system. It was subsequently extended to other regions although very different interpretations as to what "free trade" actually meant could be found at the regional level. The inability of ENABAS to compete with the private merchants in 1985, led the state marketing agency not only to announce significant price increases but also to offer producers turning up to sell grain at the agency's procurement depots, the possibility of buying cheap manufactures. Regional governments were also free for the first time to set their own official producer prices in response to local costs of production and market conditions. Ministry officials, in coordination with the UNAG, mounted community, municipal and regional assemblies to encourage producers to continue to sell a significant proportion of their surplus grain to ENABAS, particularly given the need to supply grain to the army and the harvest workers.

During 1985 and 1986 the government sought to restrict the inter-regional movement of grain by merchants or producers seeking higher prices by establishing roadside control posts. Given, however, the unpopularity of this measure and the difficulty of actually controlling inter-regional flows outside of official marketing channels, the controls were eliminated in 1987.

A concerted effort was also made to improve conditions for those sectors of the peasantry (semi-proletarians) which had to sell their labour power during the harvest periods. Wages for harvest labourers were increased, as was the supply of consumption goods to the coffee and cotton farms. Certain social services on larger farms were also improved, notably the provision of child day-care centres.

Correcting the planning imbalance which had implicitly favoured urban consumers, involved a redefinition of the broad basic needs approach that had benefitted urban consumers in general. In addition to the peasantry, the army, the working class and state employees were identified as priority groups to the exclusion of the so-called urban informal

sector. As stated by President Ortega when outlining the 1986 Economic Plan: "The decision to favour the salaried sector as opposed to the informal sector, combined with the priority given to the countryside (over the city), inevitably implies a significant reduction in the standard of living of that half of the urban population outside of the formal sector." 41/

To deal with the planning imbalance associated with the state sector, a **new role for the APP enterprises** was defined which implied a different form of articulation of the various property sectors engaged in agriculture. The process of redefining the role of the state enterprises began in earnest in 1985 and continued in 1986 and 1987 with a number of pilot projects. According to this new conception the key concern of the APP would not rest solely with the growth of production in state agricultural and agro-industrial enterprises but rather with what was referred to as the "territorial organization of production", that is, with the growth of production of all the major property forms that existed in the territory where each state enterprise operated. 42/ State enterprises would attempt to stimulate production in a given territory by improving the distribution of inputs, capital goods, certain consumer products, technical assistance, as well as marketing, repair and maintenance services among the different types of producers, be they cooperatives, capitalist enterprises, state farms or individual peasant producers. As such an attempt would be made to incorporate the different forms of property more effectively in the development process and to rearticulate production and marketing circuits that had been disrupted for the variety of reasons explained earlier. By centralizing these activities at the level of the state enterprise, the government also sought to overcome the problems which had been caused by the dispersion of services among numerous institutions and agencies. Increased emphasis was also placed on the incorporation of cooperatives and private producers in public investment programmes.

Liberating resources for peasant production also required **altering the investment/consumption balance** in favour of the latter. At the end of 1984 stricter priorities were established for investment projects. From 1985 to 1987 the number of new projects implemented each year was progressively reduced and an attempt was made to rationalize ongoing investment projects. Several projects in non-priority areas were

delayed or postponed. Rather than expanding capacity, the emphasis shifted to using more effectively existing capacity. To achieve significant reductions in the level of investment, however, was extremely difficult given the economic and social costs involved in halting numerous large-scale projects that were already at a reasonably advanced stage and the influence of technocratic opinion within the bureaucracy favouring rapid modernization. While the 1986 Plan, for example, had intended to reduce the fixed investment/GDP ratio from 19.6 per cent to 15.5 per cent, the real figure was 18.1 per cent.

Nevertheless, we see during this period a shift in the composition of imports away from investment goods to so-called "operational resources", namely, inputs, raw materials, spare parts and consumption goods. ^{43/} The 1987 Economic Plan set the goal of reducing the share of investment goods to just 19 per cent of total imports ^{44/} in comparison with over 40 per cent during the early 1980s. By mid-1987 it was apparent, however, that the investment/consumption balance was still too heavily weighted in favour of the former. This was made clear by the President when he announced a series of mid-year adjustments to the 1987 Plan: "The investment programme will be subject to a more drastic rationalization in order to guarantee that resources are available for agro-export, food and basic goods production, as well as to maintain health services and programmes to attend the war victims." ^{45/}

These policy changes, then, sought to address the four aspects of the peasant problem outlined in Section I of this paper. The shift towards a more peasant-oriented strategy reflected not only the seriousness of the economic and military situation and the pragmatism of political leaders and planners, but also the growing strength of the producers' organization UNAG during this period. The emphasis on issues related to prices, marketing, and the provision of goods and services for production, consumption and investment, was indicative of the strength of small commercial farming interests within the organization. Historically this had been an important sector in rural social structure but under the previous regime had been deprived of essential resources (apart from land on the agrarian frontier) conducive to economic growth, social development and power. That the interests of this sector should come increasingly to the fore reflected not only the extent to which these

producers had been able to organize and increase their collective bargaining strength, but also the major structural changes, which had transformed thousands of landless labourers and poor peasants into middle or rich peasants or members of collectives integrated in commodity markets.

There were certain signs in 1986 and 1987 that the policy changes were having a positive effect in dealing with the peasant question. There was a considerable expansion in the area sown in maize and beans during the 1986/87 agricultural cycle of approximately 40 per cent according to preliminary estimates (see Table V). The incidence of pests and drought, however, meant that production increases were not so spectacular (see Table II). Not all of the increase in area could be attributed to the new policies but also to the increasing military dominance of the Sandinistas which had enabled production to be renewed in previously disputed territories. ^{46/} ENABAS still had major difficulties in reversing the trend of declining procurement levels for most basic grains but was able to do so for the one product produced almost exclusively by peasant producers, namely beans.

Table V

Sown Area of Maize and Beans
(thousands of hectares)

Product	1983/84	1984/85	1985/86	1986/87*
Maize	189.9	190.0	139.7	197.4
Beans	89.0	84.6	74.8	105.3

Source: MIDINRA

* Preliminary estimate - February 1987

Another positive sign was the return in large numbers of traditional coffee pickers during the 1986/87 harvest and significant increases in labour productivity. State purchases of coffee, however, were affected by producers opting to sell raw coffee on the black market.

While it is impossible to talk of any significant improvement in living levels in the midst of war and a severe economic crisis, there were, however, certain indications of a definite reversal of the negative

trends of 1984 and 1985. In addition to improved access to certain basic consumption goods we see in 1986 a recovery in the quantity and quality of health services in the interior and Atlantic coastal regions. Also the Ministry of Education was able to reopen 223 schools in the two regions most affected by the war. 47/

One of the most significant developments related to the recomposition of the dominant alliance with the peasantry. The declining strength of the Contras reflected in part a weakening in their social base of support. The changing military tactics of the rebel forces served to alienate the rural population. Unable to take on Sandinista army units, the Contras were largely reduced to attacking more vulnerable rural targets including economic and social infrastructure as well as cooperatives. Meanwhile, the pro-Sandinista producers' organization UNAG grew in strength. The significance of this process was recently underlined by President Ortega: "Something very important is now occurring which is the incorporation of a large number of ... producers - small, medium and large - in defence activities ... We can say that unity is in the process of being constructed: first with the workers of the towns and countryside. Now the peasantry are directly involving themselves by taking up arms, as are the private producers ... The ranks (of the Contras) are becoming increasingly depleted ... (and) an ever-increasing number of producers are to be found in organizations like the UNAG." 48/

There is no space here to assess more fully the impact of the policy changes or the likely tensions that could undermine their success. Clearly the possibility of major gains in production and levels of living is ruled out while the country is at war, given both the direct economic and human cost of the conflict and the drain imposed on domestic resources by the defence effort. Once peace is achieved, foreign exchange shortages will continue to constitute a major constraint on the development process. Other ongoing tensions have already been noted, namely the tension between investment and consumption and the strength of technocratic opinion within planning circles. We have also mentioned how, in practice, the application and effectiveness of the measures vary considerably by region, reflecting in part the different interpretations which regional governments give to national directives as well

as variations in administrative capacity and the ability to compete with private merchants.

As more resources are channelled towards the peasantry the question arises as to what the impact of this changed structure of resource allocation will be on the accumulation and transition process. Orthodox Marxist theory and indeed much of the practice of socialist transition has stressed the importance of squeezing agriculture and the peasantry in order to provide resources for accumulation and the growth of the socialist sector of the economy (the so-called strategy of "primitive socialist accumulation"). The extremely large quantities of foreign aid flowing into Nicaragua since 1979 49/ have, however, greatly mitigated this requirement. Moreover, given the increasing emphasis on efficiency and profitability within the state enterprise sector, the recent imposition of taxes on cooperatives, and the ongoing "tightening of the belts" practised by public sector workers, there are signs that the government is looking for alternative sources of surplus and thereby coming to rely increasingly on a strategy of "socialist" as opposed to "primitive socialist" accumulation, particularly if we include within the former the increasing reliance on aid from the socialist bloc countries. 50/

Another important issue concerns the question of increasing social differentiation as certain groups of producers or merchants improve their position relative to that of others as producer prices are increased, trade is liberalized, and commodity relations intensified. The type of structural changes that have transformed rural economy and society, as well as the marketing system in general, are unlikely to lead to a recomposition of a powerful merchant class and highly exploitative exchange relations, but the extent and form of participation of merchants in the marketing system and accumulation process will have to be closely scrutinized. Some of the policy changes introduced also run the risk of increasing social differentiation among the peasantry, thereby accelerating a dynamic that runs counter to socialist principles. If the position of the rich peasantry is strengthened significantly, this could ultimately act as a brake on the process of institutional reform. 51/ It is important to recognize here, however, a number of recent initiatives that could counteract any such tendency and contribute towards retaining a degree of social control over the economy, involving, for example, measures

taken to accelerate the process of land redistribution, to consolidate and strengthen the cooperative movement, to develop contractual relations between commercial farmers and state marketing agencies, as well as the ideological drive by both the state and the agricultural producers' organization to encourage producers to market part of their surplus through official channels in order to supply the army, workers and industry, or to expand the state's agro-export revenues.

Another set of questions concerns the allocation of goods and services among different forms of property and social groups. As the new policy regarding the territorial organization of production is applied nationally, it is to be seen how objective the decisions of state enterprise managers will be when allocating resources to non-state sectors - resources that will remain in short supply given ongoing foreign exchange constraints. The allocation of basic manufactures between the peasantry and the working class as well as other support groups of the state, notably the bureaucracy and the army, may constitute another area of tension. 52/ It is also to be seen how a situation of rising food prices affects low-income urban consumers. This relates to a more general tension concerning the response of the so-called urban informal sector to a situation in which it is being increasingly squeezed by policies that explicitly seek that end. If peace negotiations lead to the State of Emergency being lifted, it is to be expected that opposition parties will actively seek to mobilize this sector against the government.

Tensions such as these indicate that the type of imbalances that characterized development planning throughout much of the period under review will be difficult to suppress and may indeed resurface. While the broad guidelines of socialist transition may have been sketched in post-revolutionary Nicaragua, the precise direction of development strategy is still very much in the balance.

NOTES

1. The author would like to thank E.V.K. Fitzgerald, Solon Barraclough and Cynthia Hewitt de Alcántara for their comments on an earlier draft. Many of the ideas contained in this paper are currently being developed by the author as part of a doctoral thesis at the University of Essex.
2. V.I. Lenin, "Report on the Substitution of a Tax in Kind for the Surplus-Grain Appropriation System", March 15, 1921, at Tenth Congress of the R.C.P. (B), **Collected Works**, Vol. 32, Progress Publishers, Moscow, 1965, pp. 215-217.
3. For a concise resumé of the major constraints affecting transition in small peripheral societies see: R. Fagan *et al.* (eds.), "Transition and Development: Problems of Third World Socialism", **Monthly Review Press**, New York, 1986, pp. 9-27.
4. E.V.K. Fitzgerald, "The Problem of Balance in the Peripheral Socialist Economy: A Conceptual Note", in **Agriculture in Socialist Development**; G. White and E. Croll (eds.), **World Development**, Vol. 13, No. 1, January 1985, Pergamon Press, Oxford, p. 11.
5. See J. Barker, "Gaps in the Debates about Agriculture in Senegal, Tanzania and Mozambique", in G. White and E. Croll (eds.), *ibid.*, p. 70; M. Mackintosh, **Agricultural Marketing and Socialist Accumulation: A Case Study of Maize Marketing in Mozambique**, Development Policy and Practice Series, The Open University, Working Paper No. 1, pp. 39-41; C. White, "Agricultural Planning, Price Policy and Cooperation in Vietnam", in G. White and E. Croll (eds.), *op.cit.*, p. 111.
6. For a discussion dealing with earlier years during the post-revolution period see: C.D. Deere, P. Marchetti and N. Reinhardt, "The Peasantry and the Development of Sandinista Agrarian Policy 1979-1984", **Latin American Research Review**, Vol. 20, No. 3, 1985, pp. 75-109; and M. Zalkin, "Food Policy and Class Transformation in Revolutionary Nicaragua, 1979-86" in **World Development**, Vol. 15, No. 7, 1987, pp. 961-984.
7. FSLN: Sandinista National Liberation Front.
8. Frente Estudiantil Revolucionario - FER - **El Programa Histórico del FSLN**, Managua, 1972.
9. For a discussion of the factors influencing this prioritization and the debates surrounding development strategy see: D. Kaimowitz, "Nicaraguan Debates on Agrarian Structure and their Implications for Agricultural Policy and the Rural Poor", in **The Journal of Peasant Studies**, Vol. 14, No. 1, October 1986.
10. CIERA, **Nicaragua: El Campesinado Pobre**, mimeo, 1985.
11. CIERA, **Directorio de Políticas Alimentarias**, Tomo III del Informe Final del Proyecto Estrategia Alimentaria (CIERA-CIDA-PAN), Managua, 1984, p. 39.

12. CIERA, **Alimentos, Desarrollo y Transición**, draft document (1986) prepared for the Food Systems and Society Programme of the United Nations Research Institute for Social Development.
13. See L. Enriquez and R. Spalding, "Banking Systems and Revolutionary Change", in R. Spalding (ed.), **The Political Economy of Revolutionary Nicaragua**, Allen and Unwin, Boston, 1986, Tables 2 and 3, pp. 113 and 114.
14. See Instituto Histórico Centroamericano, "Cooperativas: un nuevo giro", in **ENVIO**, No. 72, June 1987, Managua, p. 15.
15. See MIDINRA, **Plan de Trabajo 1987: Balance y Perspectivas**, MIDINRA, Managua, 1987, pp. 17 and 20.
16. See M. Zalkin, *op.cit.*, pp. 966-971.
17. See S. Barraclough, A. van Buren, A. Gariazzo, A. Sundaram and P. Utting, **Aid that Counts: The Western Contribution to Development and Survival in Nicaragua**, Transnational Institute, Amsterdam, 1988.
18. See P. Utting, "Domestic Supply and Food Shortages", in R. Spalding (ed.), **The Political Economy of Revolutionary Nicaragua**, Allen and Unwin, Boston, 1987, pp. 134-136.
19. E.V.K. Fitzgerald, "An Evaluation of the Economic Costs to Nicaragua of U.S. Aggression: 1980-1984", in R. Spalding, *ibid.*, p. 205.
20. Here we are referring to beans and maize. In Nicaragua beans as well as maize, rice and sorghum, are referred to as "grains". Beans and maize are produced primarily by peasant producers while rice and sorghum are produced on relatively large-scale capital-intensive farms, both state and privately owned.
21. CIERA/DGRA, "Balance de la Política de Acopio Precios y Libre Comercio de Maiz y Frijol, Primera y Postrera, 1987", mimeo., 1987.
22. E.V.K. Fitzgerald, *op.cit.*, pp. 204-205.
23. Between 1980 and 1985 it was estimated that as a consequence of the war, 20 health centres had been destroyed and 99 abandoned; 48 schools were destroyed and another 502 closed; while 840 adult education groups had ceased to function. See R. Vergara *et al.*, **Nicaragua: Pais Sitiado**, CRIES, Managua, 1986, p. 55.
24. Figures on the number of people displaced by the war and relocated in organized settlements were reported by President Ortega in his annual address to the National Assembly, reported in **Barricada**, 22 February 1987, p. 3.
25. David Kaimowitz, *op.cit.*, p. 113.

26. Author's translation. Instituto Histórico Centroamericano, "Mas Cerca de la Paz: 3 Mil Dias de Revolución", ENVIO, No. 73, July 1987, p. 24.
27. A. Chamorro, **Algunos Rasgos Hegemónicos del Somocismo y la Revolución Sandinista**, INIES/CRIES, Managua, 1983, p. 17.
28. The term urban bias is used here in a fairly restrictive sense. Several important policies and programmes attached a high priority to the rural and agricultural sector, notably those associated with credit, health and education.
29. See P. Utting, *op.cit.*, pp. 113-114.
30. See O. Nuñez, **Transición y Lucha de Clases en Nicaragua 1979-1986**, CRIES/SIGLO XXI, México, 1987, pp. 186-187.
31. J. Wheelock, "Balance y Perspectivas de las Políticas de la Revolución en el Campo", in **Lineas para el Fortalecimiento de la Alianza con el Campesinado**, DAP-FSLN, Managua, 1986, p. 22.
32. See interview with Alonso Porras, Vice-Minister of the Ministry of Agricultural Development and Agrarian Reform, published in **Barricada**, 30 March, 1987, p. 3.
33. As measured by the consumer price index, the inflation rate rose from 50 per cent in 1984, to 334 per cent in 1985 and reached 747 per cent in 1986.
34. Reported in **Barricada**, 20 July, 1987.
35. See R. Pizarro, "The New Economic Policy: A Necessary Readjustment", in R. Spalding (ed.), *op.cit.*, and C.I.E.R.A., **El ABC del Abastecimiento**, mimeo., 1984.
36. In December 1984 the National Autonomy Commission was established to define the guidelines for the autonomy of the Atlantic Coast region. The autonomy project would give ethnic communities the right to preserve and develop their own culture and specific forms of social organization and administer their local affairs in accordance with tradition. See Articles 89 and 180 of the Nicaraguan Constitution, approved January 9th, 1987.
37. These two regions comprise the Departments of Matagalpa, Jinotega, Esteli, Madriz and Nueva Segovia.
38. The content of the "Plan General Unico" was outlined by Comandante Luis Carrion in an interview published by **Barricada**, 10 July, 1985.
39. See interview with Luis Carrion, *ibid.*
40. See CIERA/DGRA, *op.cit.*
41. D. Ortega, **Lineas del Plan Técnico Económico 1986**, Dirección de Información y Prensa de la Presidencia de la República, Managua, p. 12.

42. MIDINRA, **La Organización Territorial de la Producción y el Intercambio**, mimeo., 1986.
43. The shift in trade and aid relations to facilitate greater access to operational resources is analysed in S. Barraclough *et al.*, *op.cit.*
44. See **Plan Económico 1987**, Secretariat of Planning and the Budget, Managua, 1987.
45. D. Ortega, speech of 6 June 1987, printed in **Barricada**, 7 June 1987.
46. At the time of writing (September 1987) there are indications that the area of peasant production during the 1987/88 cycle has continued to increase. Reports by various MIDINRA officials claim that the area of the first crop of maize was far in excess of that sown in the previous four years. Also there has been a considerable recuperation of the area of rain-fed rice which had been drastically reduced largely due to the war. Serious drought conditions, however, were threatening to wipe out these gains. Also reported was a 20 per cent increase in the sale of milk to the processing plants. (See **Barricada**, August 5 and 8, 1987, p. 4.)
47. See CIERA, **Evaluación del Acceso de los Diferentes Grupos Socio-Económicos a los Programas Sociales y Bienes de Consumo Básico en 1986**, mimeo., 1987.
48. Interview with D. Ortega published in **Barricada**, 19 July 1987. It was also published in **Excelsior of Mexico**.
49. In relative terms, Nicaragua receives more external assistance than probably any other country in the world. Between July 1979 and December 1986 external economic cooperation (grants, and concessionary loans and credits from bilateral, multilateral and NGO sources) totalled \$4,618 million, or approximately \$200 per capita a year. (See S. Barraclough *et al.*, *op.cit.*) In 1986 the total external debt amounted to twice the gross national product.
50. The proportion of total external economic cooperation accounted for by the socialist bloc countries increased from 31 per cent in 1981-83 to 68 per cent in 1984-86. See S. Barraclough *et al.*, *ibid.*
51. See A. Saith, "'Primitive Accumulation', Agrarian Reform and Socialist Transitions: An Argument", in A. Saith (ed.), **The Agrarian Question in Socialist Transitions**, Frank Cass, London, 1985, p. 35.
52. A report by the Centre for Research and Studies on Agrarian Reform indicates that one of the reasons why ENABAS procurement levels fell during the December 86/January 87 grain harvest in one of the main grain producing regions, had to do with the collapse of a programme which had enabled peasant producers delivering grain to the procurement depots to purchase cheap manufactures. The goods simply were not there because a decision had been taken to allocate them instead to workers which had

arrived for the coffee harvests. Also, serious restrictions still exist in rural areas on the availability of clothing and footwear which are two of the main categories of products covered by an agreement between the industrial workers' organization (CST) and the Ministry of Internal Trade which guarantees the working class access to a minimum quota of basic manufactured goods.

BIBLIOGRAPHY

- Barker, J., "Gaps in the Debates about Agriculture in Senegal, Tanzania and Mozambique", in G. White and E. Croll (eds.), **World Development**, Vol. 13, No. 1, January 1985.
- Barraclough, S., A. van Buren, A. Gariazzo, A. Sundaram and P. Utting, **Aid That Counts: The Western Contribution to Development and Survival in Nicaragua**, Transnational Institute, Amsterdam, 1988.
- Barraclough, S. and M. Scott, **The Rich Have Already Eaten: Roots of Catastrophe in Central America**, Transnational Institute/Third World Publications, Amsterdam, 1987.
- Chamorro, A., **Algunos Rasgos Hegemónicos del Somocismo y la Revolución Sandinista**, INIES/CRIES, Managua, 1983.
- CIERA/Dirección General de Reforma Agraria, "Balance de la Política de Precios y Libre Comercio de Maíz y Frijol, Primera y Postrera, 1987", mimeo., 1987.
- CIERA, **Directorio de Políticas Alimentarias**, Tomo III del Informe Final del Proyecto Estrategia Alimentaria (CIERA-CIDA-PAN), Managua, 1984.
- CIERA, "El ABC del Abastecimiento", mimeo., 1984.
- CIERA, "Nicaragua: El Campesinado Pobre", mimeo., 1985.
- CIERA, "Alimentos, Desarrollo y Transición", mimeo., 1986.
- Deere, C., P. Marchetti and N. Reinhardt, "The Peasantry and the Development of Sandinista Agrarian Policy 1979-1984", in **Latin American Research Review**, Vol. 20, No. 3, 1985.
- Enriquez, L. and R. Spalding, "Banking Systems and Revolutionary Change", in R. Spalding (ed.), **The Political Economy of Revolutionary Nicaragua**, Allen and Unwin, Boston, 1986.
- Fagan, R., C.D. Deere and J.L. Coraggio, **Transition and Development: Problems of Third World Socialism**, Monthly Review Press/Center for the Study of the Americas, New York, 1986.
- Fitzgerald, E.V.K., "An Evaluation of the Economic Costs to Nicaragua of U.S. Aggression: 1980-1984", in R. Spalding (ed.), **The Political Economy of Revolutionary Nicaragua**, Allen and Unwin, Boston, 1987.
- Fitzgerald, E.V.K., "Notas sobre las Fuerzas de Trabajo y la Estructura de Clases en Nicaragua", in **Revista Nicaraguense de Ciencias Sociales**, No. 2, March 1987.
- Fitzgerald, E.V.K., "The Problem of Balance in the Peripheral Socialist Economy: A Conceptual Note", in G. White and E. Croll (eds.), **World Development**, Vol. 13, No. 1, January 1985.

- Frente Estudiantil Revolucionario (FER), **El Programa Histórico del FSLN**, Managua, 1972.
- Instituto Histórico Centroamericano, "Cooperativas: un nuevo giro", in **ENVIO**, No. 72, June 1987.
- Instituto Histórico Centroamericano, "Mas Cerca de la Paz: 3 Mil Dias de Revolución", in **ENVIO**, No. 73, July 1987.
- Instituto Nicaraguense de Investigaciones Economicas y Sociales (INIES)/ Secretaria de Planificacion y Presupuesto, **Plan Económico 1987**, INIES, Managua, 1987.
- Kaimowitz, D., "Nicaraguan Debates on Agrarian Structure and their Implications for Agricultural Policy and the Rural Poor", in **The Journal of Peasant Studies**, Vol. 14, No. 1, October 1986.
- Lenin, V.I., "Report on the Substitution of a Tax in Kind for the Surplus-Grain Appropriation System", **Collected Works**, Vol. 32, Progress Publishers, Moscow, 1965.
- Luciak, I., "Popular Democracy in the New Nicaragua: The Case of a Rural Mass Organization", in **Comparative Politics**, Vol. 20, No. 1, October 1987.
- Mackintosh, M., **Agricultural Marketing and Socialist Accumulation: A Case Study of Maize Marketing in Mozambique**, Development Policy and Practice Series, Working Paper No. 1, The Open University, Milton Keynes.
- Ministerio de Desarrollo Agropecuario y Reforma Agraria (MIDINRA), **Plan de Trabajo 1987: Balance y Perspectivas**, MIDINRA, Managua, 1987.
- Núñez, O., **Transición y Lucha de Clases en Nicaragua 1979-1986**, CRIES/- Siglo XXI, Mexico, 1987.
- Pizarro, R., "The New Economic Policy: A Necessary Readjustment", in R. Spalding (ed.), **The Political Economy of Revolutionary Nicaragua**, Allen and Unwin, Boston, 1987.
- Saith, A., "'Primitive Accumulation', Agrarian Reform and Socialist Transitions: An Argument", in A. Saith (ed.), **The Agrarian Question in Socialist Transitions**, Frank Cass, London, 1985.
- Saul, J. (ed.), **A Difficult Road: The Transition to Socialism in Mozambique**, Monthly Review Press, New York, 1985.
- Utting, P., "Domestic Supply and Food Shortages", in R. Spalding (ed.), **The Political Economy of Revolutionary Nicaragua**, Allen and Unwin, Boston, 1987.
- Utting, P., "Limits to Change in a Post-Revolutionary Society: The Rise and Fall of Cheap Food Policy", mimeo., 1986.
- Vergara, R. et al., **Nicaragua: Pais Sitiado**, CRIES, Managua, 1986.

Wheelock, J., "Balance y Perspectivas de las Políticas de la Revolución en el Campo", in **Lineas para el Fortalecimiento de la Alianza con el Campesinado**, DAP/FSLN, Managua, 1986.

White, C., "Agricultural Planning, Price Policy and Cooperation in Vietnam", in G. White and E. Croll (eds.), **World Development**, Vol. 13, No. 1, January 1985.

World Bank, **World Development Report 1987**, Oxford University Press, New York, 1987.

Zalkin M., "Food Policy and Class Transformation in Revolutionary Nicaragua, 1979-1986", in **World Development**, Vol. 15, No. 7, 1987.

Other Sources:

Barricada - official newspaper of the Sandinista National Liberation Front (FSLN), various issues.

Political Constitution, **La Gaceta**, Managua, 9 January 1987.