ABSTRACT

Nicaragua is undergoing a revolutionary process whereby new institutions and popular organizations are being created to transform and solve the problems of an underdeveloped and dependent capitalist economy. These organizations are seen as crucial in guaranteeing a successful transition to an equitable and democratic economic and social system. The Sandinistas have developed an economic and political system based on a planned mixed economy and political pluralism where the Agrarian Reform is seen as playing a crucial role in the transition process.

This thesis will address the economic and political changes which have been taking place in Nicaragua since the triumph of the Revolution. The first part describes the development of the capitalist mode of production in Nicaragua's agricultural sector since the turn of the century. This is done to understand the type of economy which the revolution has inherited and the importance of the agro-export model which the Sandinistas are trying to transform. The second part of the thesis focuses on the Agrarian Reform which has been recently implemented as a strategy of economic and social development. That section will examine the new structures which have been created in the rural sector and the key role played by the State and cooperative sectors. The thesis also examines the new participatory structures now in place in many production centers. Finally, it evaluates the achievements and drawbacks of the first years of the Agrarian Reform.

Thesis supervisor: Lisa Peattie
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This thesis was inspired by the many years of work in the Solidarity Movement in the United States that supported the people of Nicaragua in their struggle for self determination. Many discussions, meetings, events, study groups and conferences at CUSLAR and CASA provided the background work and information around this subject. The thesis was also based on a recent People to People trip to Nicaragua and numerous interviews with workers, peasants, students, members of the FSLN, clergy and members of mass organizations to them I owe acknowledgements. I have been deeply inspired by the example set by the Sandinistas and many dedicated people with whom I have had the opportunity to work and learn from. I dedicate the thesis to members of the U.S. Solidarity Movement with Central and South America; in particular to Wagner Rios, Ramon Meneses, Oscar Hernandez, Elena Mora, Mary Jo Dudley and Marisa Peralta who have done exemplary solidarity work. I also dedicate my work to my family who from far away have always been very supportive.

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INTRODUCTION

There is no Revolution without Agrarian Reform
There is no Agrarian Reform without Revolution.¹

On July 19, 1979, the Nicaraguan people lead by the Frente Sandinista de Liberacion Nacional FSLN, overthrew one of the most brutal dictatorships in Latin America the Somoza dynasty. The Somoza family had come to represent since the early thirties when it was installed by the U.S. Marines, the type of repressive government which many dependent countries in Central America required when middle class reforms were repressed in the early stages of economic development. The development of a dependent capitalist mode of production in Nicaragua had generated such injustices that by 1978 almost all social sectors were involved in the uprising to oust the dictatorship and change the political and economic system in favor of a more democratic one.

Victory was achieved at a very high cost; 40,000 dead (1.5% of the population) 80% of which were children under 18, some 100,000 wounded, 40,000 children orphaned, 200,000 families left homeless and 750,000 dependent on emergency food assistance.² The legacy of Somoza went far beyond the devastation and destruction of war. He left Nicaragua an infant mortality rate higher than India's and an illiteracy rate of 53.3%. He left a deeply depressed economy, a neglected social service system with inadequate housing, health care, basic services and general urban infrastructure. A special study by the UN's Economic Commission on Latin America reported well over half
a billion dollars in physical destruction. Aerial bombings by the National Guard had left many factories destroyed or damaged. Most of the cotton crop (80%) as well as staple food crops had gone unplanted or been heavily damaged by neglect during the fighting. Thirty percent of the population were without jobs. One million people, nearly half of the population needed emergency food supplies. The country was bankrupt for Somoza had left only 3.5 million dollars in the Central Bank and a staggering foreign debt of 1.6 billion dollars, one of the highest per capita debts in the world.

For the first time in Nicaragua's history an opportunity existed to change the economic, social and political system which had been based on the oppression of the majority of the population. The Government of National Reconstruction faced great problems when it took power on July 19. Its broad goals were: strengthening self-determination, general economic recovery and development of a truly democratic system. Implicit in the program was a desire to improve the standard of living and quality of life of the masses. This meant among other things, a commitment to eradicate illiteracy, implement an effective land reform and provide free health care. The new government's economic plan, Plan de Reactivacion Economica, outlined a new system to end decisively the past regime's exploitation and corruption which had left such a wide gap between rich and poor. It proceeded to expropriate all of Somoza's family privately owned or controlled business in Nicaragua. The State also nationalized other key sectors such as banking, mining and trade thus enabling the State sector to serve as the principal manager of the new economic system.

The private sector was seen as having to play a crucial role.
It was encouraged to move into full production as quickly as possible. However, the private sector was as bankrupt as the rest of the country, so the Junta nationalized the credit institutions to help guide the production of the private sector towards the broader goals of the revolution. It also nationalized foreign trade to control and channel foreign exchange revenues to social development projects and to repay the huge external debt. The government then immediately began to extend credit to small businesses and industry to facilitate their integration back into production. The Junta's economic team outlined three guidelines for those receiving credit: generation of maximum employment, utilization of domestic raw materials and minimization of any new foreign indebtedness.\(^5\)

The economic program placed great importance on the existence of a "mixed economy" model as a transitional strategy of development during the phase of national reconstruction. This would provide an opportunity for private capital to cooperate with the social and economic plans of the new government. The FSLN determined that its control of the military forces, its social position as the vanguard of the revolution and the weakness of the bourgeoisie could allow for a transitional period to a new society with a new State and economy that represented the interests of the majority. Jaime Wheelock, Commander of the Revolution and Minister of Agrarian Reform stated:

"Usually the most important characteristic of the bourgeoisie is that it is armed, separated from its people. In Nicaragua the important point is that people are armed; the army becomes the base for all change..."\(^6\)

The Revolution is described by the FSLN as a Popular Democratic
and Anti-imperialist meaning that society as a whole continues to reflect a multiplicity of class interests. A pluralistic political system has been installed where a wide array of political forces and parties have been allowed to coexist and participate in this change. However, it is the popular classes and the Sandinista front which clearly hold the upper hand. The FSLN also believes in diversifying its economic dependence with the advanced capitalist world by lessening its total dependence on the U.S. So far it has diversified its trade and financial relations with Western Europe, Japan, many third world countries and the socialist countries. As is stated in numerous billboards in Nicaragua "On July 19th we won our political independence, now we confront an even more difficult task of winning our economic independence."

How does a devastated and underdeveloped economy win economic independence? By economic independence the Sandinistas have in mind the structuring of a new economic system which can meet and address the pressing needs of the Nicaraguan population and not foreign interests or the international market. The important question therefore is what conditions guarantee a successful transition from a dependent capitalist economy based on the agro-export sector to a more advanced economic and social system which is democratic and solves the problems of malnutrition, illiteracy, unemployment, housing shortages, land distribution, transportation infrastructure etc. The Sandinistas have adopted an economic model based on a planned mixed economy where an Agrarian Reform is seen as playing a crucial role both economically and politically.

Marx had envisioned socialism growing out of contradiction between
the forces and relations of production - transforming social relations and building from the productive forces generalized by capital. Marx had stated,

"...no social order ever perishes before all the productive forces for which there is room in it have developed; and new higher relations of production never appear before the material conditions of their existence have matured in the womb of the old society itself."

How does Nicaragua's dependent capitalist reality compare to Marx's and Engel's philosophical conception of the historical transformation of the capitalist mode of production? Was the FSLN ready to take that historical step described by Marx? Clearly Nicaragua did not yet have in its different economies the sufficient development of the productive forces to guarantee a transition to socialism. Some of the agricultural factories engaged in agro-exports which will later be described, could provide a base for a transition. However, that mode of production is not sufficiently extended throughout agriculture. It is the poor landless campesinos which predominate there. The problem of transition in Nicaragua is not only underdevelopment of the productive forces but also the destruction and pillage of the forces of production which took place during the revolution. Faced with political defeat, capital proceeded to massively destroy the productive forces (lives and property) and pillage the economy (the de-capitalization of Nicaragua and the massive foreign debt left behind by Somoza). The FSLN now has as an important transition problem to rebuild and reactivate the productive forces by employing unemployed labor, reconstruct physical plants and factories, restore farm equipment etc. It is doing so by adopting a planned mixed economy
model where some dominant sectors of the economy have been socialized and allowing space for the private sector to participate and help rebuild the productive forces.

In the transition periods it has always been necessary to exert some form of control and regulation of the "blind" laws of capitalist mode of production. Adolfo Jose Acevedo Vogl, an FSLN theoretician states:

"The laws of capitalism will continue to function but in a regulated manner and within certain limits. They will be progressively narrowed as the new relations of production take hold and a solid base of a new economy is created." 8

The Sandinistas believe that the key for a successful transition to a more just and equitable society lies in transforming those relations of production that have the strongest influence in society as a whole. In the case of Nicaragua it is in the agricultural sector for it is there that historically capitalism established an export base geared to the international market. It has been the agricultural sector, as we shall see, which generated the largest percentage of foreign exchange, employed over 60% of the economically active population, decided the migration and land tenure patterns for the campesinos, their nutritional base, level of culture etc.

There has been a strong bias in many revolutions to automatically assume that only the industrial sector of the economy can guarantee a leadership position in the transition to a higher mode of production. 9 A careful study of Nicaragua's economy shows that industry cannot be the sole base of the transition. This is because for the past thirty years Nicaragua's industry has been the result of foreign capital initiatives and has been totally "disarticulated"
from the rest of the economy. Nicaragua's industrial sector has been described as being of a final touch or final assembly that is, it does not process any of Nicaragua's raw materials, it only transforms raw materials that come from the U.S. or other Central American countries. Also the industrial sector uses obsolete technology and the labor force it employs is small in numbers and has low technical skills. A country whose industry depends so much on the imports from other countries makes it extremely susceptible to economic boycotts. All this makes it very hard for Nicaragua's industrial sector to penetrate the international market for manufactured goods. Nicaragua is very poor and underdeveloped and cannot unilaterally change the laws of the international market to its favor.

The Sandinistas have focused their attention on industrializing those products which other underdeveloped and developed countries can and will buy because they need them. This strategy is based on industrializing the natural resources: the mines, forestry, fisheries and agriculture export crops. The development strategy has, therefore, focused on the agricultural sector. The two major goals have been to increase the production of the traditional export crops to generate foreign exchange to meet the needs of social investments and loan and debt repayments and to break away from a dependent agro-export model by instituting an agrarian reform. As described by Peter Marcheti, an expert in the field of land reform:

"Land reform in Nicaragua will transform a repressive export economy, where there was no room for the development of an internal market into an economy that allows the majority of the people, first to be producers. And the task is, really, very simple."10
The agrarian reform is the first step to solve the historical demands of the majority of the rural population: access to sufficient land to generate income, stable employment all year round and increase production of basic grains for domestic consumption. The agrarian reform has two key elements to it: one has been the creation of a People's Area Property (APP) which is composed of all the nationalized lands which used to belong to Somoza. The APP is to serve as a development pole for Nicaragua's agriculture. As Jaime Wheelock states:

"The APP is the center, the axis, is that which will allow a clear and definite rupture between the previous mode of production and the new mode of production which the Sandinistas want to develop... However, not everything can be converted into APP. Only that which encompasses a higher development of the forces of production will be converted into a development pole."

Another key element is that all those properties which have been expropriated and which do not have a "higher development of the forces of production" will be converted into cooperatives. The cooperatives will receive large quantities of technical assistance and credit to produce basic grains and make Nicaragua self-sufficient in food. The goal of the cooperatives will be to gather and unify all the campesinos who have been dispersed in different places into a "superior form of production". Cooperatives will create a new social class of associated campesinos thus breaking their traditional isolation. The associated campesino will be part of a transition phase from capitalist and pre-capitalist forms of production into a cooperative mode of production.

The latter movement is, from a historical point of view probably more important than the first. This is because it is more difficult
to transform a campesino who is used to producing in isolation with backward techniques as an individual to a cooperative campesino. In Nicaragua it is the small and medium producers, the minifundista, medieros and colonos who predominate in the countryside, not the skilled agrarian worker of the capital intensive sugar mills or cotton harvesters in APP. Jaime Wheelock has described the agrarian strategy as follows:

"We are going to organize an APP more or less small but a solid one with a strong base. The principal movement will be the associative movement. With this, we will prevent in 10 or 13 years from now a "Polandnization" of Nicaragua. If we unite the small property owners with backward ideologies the result will be counterrevolution. We are not referring to the humanitarian and revolutionary ideas of Christianism but to the backward and reactionary thinking that predominates among those who are closely linked with their tiny property. This could in the future create serious problems in the country... Therefore, the challenge lies in the transformation of the individual campesino who is backward, primitive with lack of technical and financial resources to an associated campesino which has broken away from the material forms of individual exploitation which can transform him into an individual subject and potentially a reactionary one."12

The new relations of production will incorporate a new vision of economic development which includes the participation and say of the different social sectors organized in mass organizations. Sergio Ramirez, a member of the National Junta for Reconstruction, states that "...the welfare of the people rather than profits must come first."13 This has already started to happen. There have been moves to directly limit the profits of the middle classes. Progressive income taxes and wage increases for the workers has begun to create a redistribution of the wealth and income in favor of the popular sectors. For example, some of the redistribution efforts which have already had an impact on
the lower classes includes the slashing of rent by 50%, the expansion of health and educational facilities in both the cities and the rural areas. The recent literacy campaign has reduced illiteracy from 53.3% to approximately 12% in what was and continues to be one of the most successful literacy campaigns in the world. Daycare centers for working women have been created and direct distribution centers in factories and rural communities to provide basic foodstuffs at subsidized rates have been established. Public transportation is now fully subsidized. The economic plans state the objective and goal of the revolution to be increased production while at the same time redistribution of general income and calls for the integration and participation of the popular organizations in the administration and democratic planning of the economy.

This thesis will address the transitional changes which the Nicaraguan economy is undergoing. First it begins by giving a somewhat lengthy description of the development of the capitalist mode of production in Nicaragua's agricultural sector since the turn of the century. The purpose of this is to understand the type of economy which the revolution has inherited and the importance of the agro-export model which the Sandinistas are trying to change. The second part of the thesis will focus on the agrarian reform which has been implemented since the triumph of the Revolution as a strategy for breaking away from the agro-export dependent model and the under-development. That section will examine the new structure that has been created in the rural sector and the crucial role which the State sector and the cooperative movement are playing in this process. It will also analyze the new participatory structures which are now
in place and which allows for the trade unions representing the campesinos to have a strong input in the decision-making process at each production site. Finally we will examine critically the achievements and drawbacks of the first years of the agrarian reform.
PART I

Uneven Development: The Penetration of the Capitalist Mode of Production in Agriculture

Unlike many of the "core" countries, capitalism in Nicaragua did not develop autonomously from within its social formation. On the contrary, capitalism penetrated into Nicaragua as a result of the external demand from the international capitalist market for cheap raw materials. Thus in Nicaragua, capitalism first develops within the agriculture sector without developing the industrial sector. The projection of the capitalist mode of production into the industrial sector has been a very recent phenomena and relied primarily on the expansion of U.S. and Canadian monopoly capital in the form of multinational corporations in the mining and forestry areas.

Throughout the different phases of the development of the capitalist mode of production, capitalism has been unable to displace completely pre-capitalist social formations. As a result, unequal patterns of development between different regions has been a dominant characteristic of the development process. By not extending uniformly, capitalism has had a different effect on the organization of production in several areas. For example, the different combinations of work belonging to pre-capitalist formations like family cooperation, communal production in Indian communities, aparcería, colonato and mediería have been different in the Pacific coast region and the Atlantic coast region. Every phase of development of the capitalist mode of production have resulted in more pronounced regional imbalances and the dispossession of the peasantry and Indian communities from
their land. In this section, we will briefly describe this process by looking at the history of the main cash export crops since the late nineteenth century and the impact that they have had in the creation of different class structures in the countryside.

Before 1880, Nicaragua had a weak link to the international capitalist market. The type of agricultural production which predominated was the traditional cattle haciendas which was the economic base of the oligarchy. Coexisting with the oligarchy were several forms of feudal servile social relations where small and medium sized producers of basic grains would pay feudal rents to the oligarchy in the form of labor services to gain access to land. Indigenous communities had communal ownership over land and produced subsistence crops.

With the dramatic rise in world prices for coffee during 1870, a modernizing section of the oligarchy undertook the production of coffee and became closely linked with the international market. This led to the creation of a modernizing coffee bourgeoisie. The production of coffee as a commodity created a number of difficulties, in particular the need to secure a considerable amount of labor force for that part of the year in which the coffee plant fruits matured. The coffee bourgeoisie solved this by devising a system of migrant labor made possible by a partial destruction of pre-existing forms of subsistence activity through massive expropriations of lands suitable for coffee production. With liberal governments installed, legislation to privatize lands were passed. In 1877 an Agrarian Reform Law was passed which dissolved the ejido lands. These developments were not unique to Nicaragua; Guatemala, El Salvador,
Honduras and Mexico also experienced similar land enclosure acts in those years. Peasants and indigenous communities who were unable to purchase their land parcels or found themselves without a land title were displaced from the land.

However, these land expropriations presented a problem to the modernizing bourgeoisie for coffee production was labor intensive. A new system of debt peonage had to be devised by which to tie labor to the coffee haciendas so that it would not flee to the agricultural frontier. Thus several forms of non-capitalist social relations were introduced: colonato and aparcería which have survived to these days in Central American countries. Within the backward system that is usually referred to aparcería in Central America, landlords grant peasants or aparceros, use of the land in return for a rent often in the form of part of the crop. Another more onerous form of labor rent is frequently found where peasants are obliged to work various days of the week or particular harvest months of the year in return to small access to land.

The rising coffee bourgeoisie created tensions with the more traditional oligarchy. This produced the context of the struggle between the liberals and the conservatives over the subsequent thirty-year period as well as the pretext for four U.S. military interventions in Nicaragua. These interventions were made on behalf of the traditional oligarchy. As a result, the reform minded coffee entrepreneurs were never permitted to develop and thus economic and liberal reforms were not introduced as deeply as in Guatemala, Costa Rica and El Salvador. To this day, yield and productive structures of Nicaragua coffee plantations lags far behind its neighbors.
Coffee production was the first step that linked Nicaragua's economy to the international market. In 1950, with the rise in the world prices for cotton, cotton was introduced by the agrarian bourgeoisie. This agro-export crop was what consolidated the development of capitalism in agriculture. Its production increased dramatically: whereas in 1950, coffee represented 50% of Nicaragua's foreign exports and cotton a mere 5%. By 1955 cotton was the leading crop and by 1967 Nicaragua was the largest exporters of cotton in the world.  

Again, the introduction of an agro-export crop led to peasant dispossessions. However this time they were much greater and violent than the first. Thousands of colono and aparcero peasants were expelled from fertile hacienda lands in the Pacific region to make room for cotton production. These were one of the largest peasant displacements for Latin America. As Marcheti and Deere point out:

"Whereas the development of coffee production had been compatible with non-capitalist relations of production interior to the haciendas and the co-existence of subsistence production and export production, the development of cotton production required the clearing of the haciendas as modern infrastructure was to be laid place."  

What was created was a mass of landless workers who had to sell their labor power during the three month harvest period in order to survive for no replacement land was given. It was that period which saw the emergence of a vast "surplus" labor force constituting the reserve army of the unemployed.

As cotton prices began to decline in the late sixties, the new agro-export commodity of importance became beef exporters to the U.S. market. Again, the only logic for its production was to reap the
profits of high international market prices. Credit was increasingly channeled to the development of modern cattle ranches. This was a time when Somoza's fortune increased dramatically. During the early seventies, there was an attempt to diversify agricultural production into commodities like poultry and pork to meet the consumption needs of the middle classes. However, the traditional export crops still dominated agricultural production.

Each of the three development phases of export agriculture had one thing in common: the displacement of peasants from their lands. Also, with each phase of development the standard of living of the rural population decreased and basic foodstuff production imports increased. Below are the two tables which show the distribution of rural population by type of tenure and the relative importance of diverse forms of tenancy in Nicaragua and Central America before the revolution. It is striking to see in table 1 that Nicaragua had a higher percentage of its rural population without land than the Central American average and also a higher percentage of medium and large multifamily units. A clear indication of how concentrated land ownership was. Table 2 shows another striking fact, Nicaragua had a higher percentage of colonato tenancy than Central America as a whole.

<table>
<thead>
<tr>
<th></th>
<th>Nicaragua</th>
<th>Central America</th>
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<tr>
<td>landless workers</td>
<td>31.4</td>
<td>22.7</td>
</tr>
<tr>
<td>subfamily and micro-form units</td>
<td>34.8</td>
<td>59.8</td>
</tr>
<tr>
<td>family units</td>
<td>18.8</td>
<td>12.3</td>
</tr>
<tr>
<td>medium and large multi-family units</td>
<td>15.0</td>
<td>5.2</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
</tr>
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</table>

Source: CEPAL 1973 Table 18.
Table 2
Relative Importance of Diverse Forms of Tenancy (percentages)

<table>
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<tr>
<th>Forms of Tenancy</th>
<th>Nicaragua</th>
<th>Central America</th>
</tr>
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<tbody>
<tr>
<td>in property</td>
<td>44.8</td>
<td>38.6</td>
</tr>
<tr>
<td>simple renting arrangements</td>
<td>20.6</td>
<td>25.1 (16.8)</td>
</tr>
<tr>
<td>in colonato</td>
<td>23.1</td>
<td>10.9</td>
</tr>
<tr>
<td>mixed tenure</td>
<td>13.7</td>
<td>6.4</td>
</tr>
<tr>
<td>freeholders</td>
<td>23.1</td>
<td>7.0</td>
</tr>
<tr>
<td>other</td>
<td>4.1</td>
<td>5.8</td>
</tr>
</tbody>
</table>

aRegional average excluding Honduras


Each development phase strengthened the economic and political power of the Somoza family. By controlling the State and the foreign aid to Nicaragua, Somoza was able to amass great fortunes at the expense of the capitalist class. This exclusion of the middle classes from wealth that Somoza controlled was perhaps his greatest mistake - for it eventually led to a coalition between the FSLN and the bourgeoisie to oust Somoza from power. Here is a partial listing of Somoza's holding:

46 coffee farms
7 sugar plantations
51 cattle farms
400 tobacco farms
1 gold mine
3 radio stations
2 airlines
1 bank
1 newspaper

a fishing industry
a meat packing firm
a milk processing company
a cigar factory
a shoe factory
a transport line
a port
an insurance company
tourist centers

In addition, he owned industries producing oil, glass, textiles, matches, salt, ice, chemicals, jewelry, refined coffee, asbestos,
cement, concrete, housing and aluminum products. Somoza owned 50% of all arable land in Nicaragua, 40% of all industry and had liquid assets worth 400 - 600 million dollars.

The concentration of land and agricultural resources in the hands of a few, which monopolized the earnings resulting from export production, created a stagnation in the production of basic foodstuff production. The peasant sector was the primary producer of basic grains. With the dispossession of many peasants and the conversion of former grain producing land to export crops and lack of State attention to this sector, basic grain production failed to keep pace with population growth. By 1955, Nicaragua was importing large quantities of food mainly from the U.S. The production of basic foodstuffs such as beans, rice and corn for domestic consumption was relegated to the worst conditions because of the privilege that was given to the export crops in terms of better lands, financial means, inputs, technology, communication networks and social infrastructure. The small subsistence producers and those that produced cereals in their minifundios were given those tasks which the advanced capitalist sector would not undertake due to their low profitability.

The developed capitalist mode of production coexisted with pre-capitalist modes dominating them and taking advantage of their unequal level of development. The pre-capitalist sector was formed by colonos, aparceros, canteros and small craftsmen which constituted the so called backward sector of agriculture. The "backward" sector supported and sustained the developed capitalist mode in three significant ways:
A. By producing cheap foodstuffs for the rest of the population thus enabling capitalism to concentrate on the production of profitable agro-export crops in the best lands.

B. By sustaining through minimum nutrition a reserve wage labor force during the "dead season" at no expense to the capitalists and releasing them during the seasonal harvesting of the export commodities.

C. By organizing a whole system of exploitation whereby the products of the small producers were sold at low established prices whereas the inputs they needed to produce those basic foods were sold at very high and intolerable prices and credit extended at usurious rates. 19

The pauperization of large numbers of campesinos caused by the development of the cotton export economy had two important consequences. On the one hand it displaced campesinos from the Pacific zone who started migrating to the agricultural frontier in the departments of Jinotega, Matagalpa, Nuevo Segovia, Boaco and Chontales. On the other hand, in the year 1970-1971 campesinos started to invade and take over those lands which they had lost as in Chinandega. The response of the Somocistas was repression and the promotion of a colonization plan for the agricultural frontier without a developed infrastructure. This caused a spontaneous migration of the campesinos. The development and expansion of the agricultural frontier was the defensive response of the campesino to the development and expansion of the agro-export model of development. 20

The consolidation of the agro-export economy during the early 1950's and the penetration of U.S. monopoly capital in the mining
sector and forestry sealed off the possibility for an autonomous industrial development and the creation of a strong and somewhat independent bourgeoisie or an organized urban proletariat. In 1978, the economically active population (EAP) in industry constituted only 17.7% whereas the service sector accounted for 31.8% and the agricultural sector accounted for 50.5% of EAP. Nicaragua's economy during its export boom phase was marked by a sharp disintegration between its small and dependent industrial sector and agriculture. Also, the labor force was increasingly exploited. Marcheti points out:

"Between 1960 and 1975, in the mechanized modern export sector where all the capital resources were going, worker productivity increased 103%. But the wages offered in that sector dropped by 10% over the same period. Meanwhile, in the basic grain sector, you have an absolute stagnation in yields. Production could have been lifted by 30% simply by introducing insecticides and fertilizers, or by moving production of basic grains to more suitable lands." Both sectors were in turn highly dependent on the international market for the purchase of their respective inputs: raw materials, machinery, fertilizers, herbicides, new technology and so on.

Nicaragua's industrial sector was the product and creation of the Central American Common Market established during the early sixties by U.S. initiatives. The type of industries which were created became known as industries of final touch for they hardly processed any raw materials from Nicaragua. Instead, they transformed and used materials coming from other Central American countries with old and antiquated technology purchased from the U.S. As soon as the Central American Common Market disintegrated in the late sixties, Nicaragua's industries entered into a profound crisis which it still
has not overcome. Agriculture thus emerged as the most dynamic and modern sector in the economy.

The Pacific Region

The capitalist mode of production has had its leading pole in the Pacific region. Historically this is were production units, commerce and the communication infrastructure grew at the expense of other large regions such as the Northern Region, the Central Region, and the Atlantic Region. To this day, those latter regions still lack appropriate productive infrastructure. This difference has its social expression in that the most advanced capitalist relations of production appear generalized in the Pacific region, sparse in the North and Central regions and only as enclaves in the extensive Atlantic Coast region.

The best lands of the Pacific zone as well as those in the North Central, have been almost totally used for the production of profitable export crops such as coffee and cotton. These same crops monopolized the use of fertilizers, insecticides, agricultural machinery and accounted together with meat production and sugar cane production for more than 90% of the agricultural financing in 1975. The base of the capitalist mode of production in the primary sector is located therefore in the Pacific region which also has the highest proportion of the population. The most important branches of the Nicaraguan economy are located there: 25

- 98% of cotton production
- 93% of sugar cane production
- 100% of bananas for export
- 47% of the rice production
85% cattle production for meats to export 100% of poultry and pork production.

This zone also has 74% of total irrigated surface, 98% of all tractors and harvesting machinery, 97% of electricity, 65% of paved roads, four of the most important ports in the country and a high percentage of mechanized transportation. We find, therefore, that capitalism in agriculture dominates not only the most fertile and important lands of the country but also the main agricultural crops planted.

Capitalism has extended itself to other regions of the country in an uneven way and always basing itself in the production of a profitable and sensitive commodity (woods and minerals in the Atlantic zone, tobacco in the north) and always basing its strength in the vast infrastructure located in the Pacific region that acts as a leverage; extending capitalist relations but not transmitting to the backward zones the advantages of technical progress.

Three Levels of Development in Agriculture Before the Revolution

Before the triumph of the Revolution, Nicaragua's agricultural sector could have been divided into several levels of development. Here we will only mention those which were relevant when the land reform program was instituted.

In the first place, one could find in the most developed sectors of capitalist production in Nicaragua, complex agricultural production factories. This included the fishing industry and farms which produced export crops such as tobacco, sugar, bananas and beef. The most salient feature of this development level was that it employed a permanent and highly capital intensive and had a stable relationship with the
international market. Many of these private enterprises received
direct investments, financing and technical assistance from U.S.
multinational corporations. Most were intimately tied to Somoza
and his close associates.

The agricultural production factories were intensive production
units which incorporated the most advanced technology and had very
high returns on investments. Modern techniques such as soil
conservation, equipment renovation, fertilizers and research into
better production methods were applied in an effort to lower
production costs and maximize profits. Although most of those
production units had been recently formed, their contribution to total
agricultural production was quite low, their importance lied in that
they embodied the most advanced capitalist relations of production
in the countryside. It was there that the most organized and stable
proletariat existed. Many of those enterprises were to pass to APP
after they were expropriated from Somoza.

At a lower stage of development were those agricultural units
whose managerial organization was more simplified than the first. At
this level we include the main export crops such as cotton, sugar,
okra and rice where large quantities of labor were employed on a
seasonal basis. The labor force in this lower level of development is
less skilled and very unstable. The concentration and use of capital
technology and agricultural techniques were less evenly distributed
among different farms hence one could find heavily mechanized cotton
fields and others which used very primitive technologies and manual
labor. Most used highly developed machinery production inputs and
cultivation techniques. The labor force had very low levels of
education and qualifications. They were employed and thus entered into capitalist relations of production only in the three or four harvest months. When the harvest was over, a great percentage of the workers were thrown back into the agrarian subsistence sectors or some menial occupation. Most, however, remained unemployed during the "dead season" waiting to be employed again a year later. Those who worked did so under pre-capitalist relations and very backward conditions of production trying to seek a living by producing basic grains.

Most of the cotton and sugar production was carried out under capitalist relations although there was also production of those export crops by small producers. In the case of cotton for example, the small producers comprised 53.3% of the total producers but only covered a 0.6% of the total surface cultivated with cotton. With sugar cane production, 94% of the 55,000 planted manzanas in 1975 were dominated by large capitalist production. The commercial export orientation of the crops produced at the lower development level could be seen with the following statistics which showed the percentage of total production which was destined for exports in 1975:

<table>
<thead>
<tr>
<th>Crop</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cotton</td>
<td>92%</td>
</tr>
<tr>
<td>Sugar</td>
<td>61%</td>
</tr>
<tr>
<td>Rice</td>
<td>28%</td>
</tr>
<tr>
<td>Okra</td>
<td>100%</td>
</tr>
<tr>
<td>Wood</td>
<td>47%</td>
</tr>
</tbody>
</table>

The economy of those export crops was crucial because they were the main source of foreign exchange for Nicaragua. The production of cotton and sugar were considered the pillars of the Nicaraguan economy during the sixties and early seventies. Cotton alone generated more than 65% of the total agricultural earnings and received the
greatest attention from the financial institutions. For example, before the Revolution, 72% of the credit was allocated to large scale production of cotton and the purchase of fertilizers, herbicides, tractors, and other inputs.\textsuperscript{31} Cotton and sugar covered most of the most fertile lands allocated for export crop production. Alone those two crops employed between 267,000 and 290,000 agricultural workers.\textsuperscript{32} (Nicaragua has a population of 2.6 million.) In essence, those crops formed the basis through which the capitalist mode of production was spread in the rural areas for those crops required increasing amounts of lands and inputs thus displacing many campesinos from their lands and converting them into wage laborers.

Another third level of development before the Revolution could be found in the coffee plantations and cattle raising farms. Those production units were called transitional in development because they included a mix of traditional methods of production embodied in pre-capitalist modes with more modern techniques and social relations brought about by capitalism. They tended to employ a seasonal labor force and in some cases used advanced technology. However, there also predominated some characteristic elements of the senorial hacienda and its backward social relations such as patriarchial relations, absentee landlords and low levels of mechanization or crop improvement techniques.

Coffee latifundistas usually differed from the cotton and sugar entrepreneurs in that they tended to act in a more traditional backward style. Coffee production historically had been the oligarchy's while cotton, sugar and meat that of the emergent capitalist. Coffee was up to 1955 the export base of the oligarchy. In 1975 it still occupied an
important place among export crops employing 100,000 workers and covering a surface of 120,000 manzanas. Thus the sophistication of the administrative skills was almost non-existent in many coffee farms.

Capitalism and its social relations of production was able to penetrate the production of coffee in some regions leading to the unequal development between the two coffee producing areas of Nicaragua: the Central Pacific and the Northern region. The Northern region lacks appropriate transportation infrastructure and agricultural techniques due to the lack of coherent investment policy by those latifundistas. Where capitalism was able to penetrate as in the Pacific zone, infrastructure was more developed, and there was more modern systems of production. The management of those coffee farms in the Pacific zone had an advanced system of management and financement.

Finally there was the pre-capitalist sectors which were scattered all over the country filling the spaces left by the other three levels of development. The pre-capitalist sector was composed of small producing campesinos who rented lands from latifundistas to produce basic grains. The social classes in this development level included the medieros, colonos and aparceros. They lived in extremely poor conditions with no access to credit and suffered from very low price controls for their products. The Agrarian Reform was to drastically affect the future of those poor and landless campesinos. The pre-capitalist sectors constantly reverted towards capitalism through the channels of the market, money circulation and loans with usurious rates. Being pushed by the capitalist sector the pre-capitalist sector predominated in the marginal and unproductive lands not used for export production.
Having analyzed in detail the development of the capitalist relations of production in agriculture, the thesis will now proceed to analyze how the Sandinista Revolution has dramatically changed the structure of agriculture. The next section will focus on the history of the land reform program. It is important to keep in mind that while the purpose of the land reform was to put an end to the social relations it has also addressed the urgent demands for higher wages and better living conditions for all the agrarian workers. The land reform was also seen as a way to increase the productivity of agriculture as a way of generating badly needed foreign exchange.

A mixed economy now exists in the agricultural sector. Mixed economy models have not had much success in Latin American countries. The efforts to balance capitalism and socialism have precedents of defeats with the National Revolutionary Movement in Bolivia, Perón in Argentina, Velasco Alvarado in Peru, Allende in Chile and more recently Manley in Jamaica. In all cases, private capital instead of cooperating opposed it by economic boycotts and the strength of the international finance institutions thus eventually eroding the social base of support of the governments and toppling them. In Nicaragua the mixed economy model obeys to important political and economic considerations. It is not seen as a definite and final stage but as a transitional process to something new. This process has a higher chance of being successful due to the increasing strength of the popular organizations and the fact that the army is not divorced from its people.
Part II

The Land Reform Program

Before describing the Nicaraguan land reform program, it is necessary to put it within the context of Latin American land reform programs. The vast majority of the land reforms in Latin America since the Mexican Revolution could be characterized as reformist in that their political and economic purposes were to strengthen the development of capitalism in agriculture. In all cases, the purpose of the land reforms were to mitigate some of the acute economic and social contradictions embodied in the development of dependent capitalism. The only exceptions have been the Cuban, the Chilean and more recently the Nicaraguan land reform program whose purpose was to initiate a process of transition to socialism.

Alain de Janvry points out that in general, land reform programs in Latin America have had an economic and political purpose where:

"The political purpose was fundamentally to further and stabilize the social relations of capitalism by changing the class structure in agriculture to eliminate the landed elite from those groups controlling the state, creating a petty bourgeoisie from among the peasantry, and eliminating feudal forms of labor exploitation. The economic purpose has been fundamentally to develop the forces of production encouraging the reorganization of precapitalist estates on a capitalist basis, including their modernization, and transforming Junker estates into medium-size commercial farms." 34

There were two periods of Agrarian Reforms in Latin America. One before the 1950's and another after the emergence of surplus labor. Before the 1950's, the scarcity of labor in many Latin American countries hindered the development of commercial agriculture which required plenty of cheap labor freed from the land. The great need
then was to prevent rural labor to getting access to land as freeholders. So most of the reforms were aimed at breaking the pre-capitalist latifundios which monopolized the bulk of the land and bonded labor to the estates through debt peonage and extra-economic coercion. Thus as Lynn Ground points out, "the origins of land reform movements during this period were found primarily in the exercise of subjective forces by intellectual and peasant groups in reaction to the severe social contradictions associated with the colonato and aparceria forms of labor exploitation."35 In that period, all of the reforms were started outside the traditional institutional process and in some instances after violent uprisings as was the case in Mexico (1917), Guatemala (1952), Bolivia (1952) and Venezuela (1959).

With the emergence of surplus labor in agriculture in the late 1950's, the logic of the internal subsistence economy embodied in colonato and aparceria was broken. This provided an objective basis for the State to intervene and eliminate through legal reforms, the remnants of pre-capitalist social relations. The economic purpose of the reforms was to allow the development of capitalism in agriculture to increase food production and agriculture export crops in order to provide cheap food to the urban sector and foreign exchange for industrial development. Reforms were also implemented for political reasons. It was a time when the Cuban revolution influenced agrarian movements in the continent and created the fear of more radical agrarian revolutions. Also the increasing migration of the surplus labor force to the shanty towns of the capital cities created serious political instability in the economic and social systems. Finally, there was
also international pressure for land reforms as a result of the Punta del Este charter of the Organization of American States in 1960.

The land reform program of the Sandinistas has its deep roots in Nicaragua's history. During Sandino's war of resistance against U.S. military intervention in Nicaragua, Sandino carried out the first land reform program in the liberated areas controlled by the Liberation Army. Not only were the peasants organized into production cooperatives to produce food for themselves and the Liberation Army, but also into literacy groups to teach the peasant guerrillas how to read and write. 

During the fight against the Somoza dynasty which was installed by the U.S. Marines before they were expelled from Nicaragua by Sandino's army, the Sandinistas actively helped organize land seizures and the creation of various peasant trade unions. 

The Sandinista agrarian reform began during the last period of the war in the liberated areas of the North Pacific. It was there that the first agrarian communes were created (CAS) to respond to the need to plant basic grains. In June of 1979, it was still unclear how long its attention to the task of food production in support of the war effort.

Once in power, one of the first acts of the Junta for National Reconstruction was to confiscate the property of Somoza and that of his family members and close associates. The new government was instantly in charge of almost 800,000 hectares as a result of the passage of decrees number 3 and number 38. These confiscated lands, represented some 23.2% of the national surface reported in farms. These confiscations also applied to Somoza's industrial and service
enterprises and agro-industrial enterprises which passed to the People's Property Area (APP).

Seven days after the victory, the Nicaraguan Institute of Agrarian Reform (INRA) was created. INRA was charged with administering the confiscated lands and with defining the policy of the agrarian reform. The fundamental objective of the Sandinista Agrarian Reform was initially defined as "to change the agrarian relations of production that maintained the low levels of productivity and a high degree of exploitation and misery of rural workers and peasants." The immediate task has been throughout the reconstruction process to get the productive apparatus working both to supply foodstuffs for the population and the export of crops that are the basis of Nicaragua's foreign exchange.

The policy problem faced by the agrarian reform was how to modify the relations of production and external dependency, and at the same time assure that the agricultural sector also respond to the needs of the national economy. The important question which needed to be studied was how the agrarian sector controlled by the State could be restructured so that the production of basic foodstuff production could be balanced with the need to keep producing export crops for foreign exchange. Nicaragua's economy was highly depressed; economic production was at 1965 levels and nearly half of the population needed emergency food supplies. The provision of increased foodstuffs to urban and rural workers and an improvement of their standard of living was one of the immediate promises of the revolution. The new agrarian structure also had to respond to the need to provide year round employment to the large number of landless rural workers. Therefore, a high degree
of flexibility was needed. As a result, large scale expropriations have been withheld because of fear that without adequate technical and administrative expertise, large-scale redistribution would lead to a decline in production, especially affecting exports and the much needed currency.

One of the important features of the Agrarian Reform Program is that it is not based on breaking up large farms and distributing the land in small parcels to the campesinos. Instead, large farms will remain intact under state ownership but they will produce for the benefit of the people as a whole and not for the wealthy few. INRA recognizes that other attempts at agrarian reforms have redistributed land to the campesinos only to have national production levels drop drastically causing more hardship for the poor in the long run, Nicaragua cannot afford a drop in production. INRA is determined that profits will not be accumulated at the expense of the masses. Profits will be redistributed to increase wages, invest in social services and invest in further agricultural development.

In an interview with Father Luis Franco, coordinator of Comunal Assessors of INRA in Leon he stated:

"We had to give land to the campesino, but if we gave land in the traditional form of parceling out we run a huge risk that the new smaller productive units would decrease their production... One of the good things that Somoza did was to concentrate large tracks of land by cheating, stealing and murdering. But from an economic point of view, this concentration of land is very favorable because of their profitability is high and allows for further mechanization. This has to be maintained for if we subdivide the land we return to the agrarian process of 40 years ago."39

Father Luis Franco talks about the experience of the Mexican Revolution and how it relates to Nicaragua:
"The Mexican Agrarian Reform taught us several things. In the first place, that one should not parcel out land. The Mexican reform parceled out and did not resolve any of the major problems. In the second place, that one could not donate part of the land neither by usufructo or by sales. The Mexican reform did not allow the sale of the land but it did allow the leasing of lands. Today, in the Northeast of Mexico, there exists thousands and thousands of manzanas which are hoarded by 2, 3 or 4 señores who rent them out... This has lead us to completely elimante the possibility of leasing."

Based on the Mexican, Chilean and other agrarian reforms, INRA developed an agrarian reform plan with three major thrusts (1) Agro-INRA, (2) Unidades Estatles (UPES) comprised of the State owned lands - approximately one million hectares in all and (3) Pro-Campo, the program of services to the small farm sector.

The People's Sector

A. **Agro-INRA**

The State area covers a territory of 1,600,000 manzanas and is composed of over 2,000 production units. Area Propiedad del Pueblo APP controls 60% of irrigated lands. The large state farms which have an industrial processing plant on site come under the responsibility of Agro-INRA. Because of the required investment in equipment and the specialized management and administration needed to maintain their highly industrialized and centralized farms, INRA has held large units intact and manages them directly.

Agro-INRA is organized by product and includes that which in previous sections was described as centers of advanced capitalist development in the agricultural sector. Those include the rice mills, livestock slaughterhouses, sugar cane and tobacco beneficios and
canning factories. The goal of INRA in these enterprises is to provide free health care, education and housing on State farms.

B. Unidades de Produccion Estatales Sandinistas (UPES)

The large State farms with no key processing components are classified as UPES. The majority of the socialized lands come under this category. Since they do not have large processing plants, they do not have that direct link to industry which requires a different management. The UPES are organized geographically rather than along crop lines as Agro-INRA is. They are divided regionally into State complexes (complejos Estatales).

Each complejo brings together the production units, UP's or farms of regions under a single accounting system. This is seen as a way of breaking the sharp regional imbalances described before. A fundamental change embodied in the People's sector concerns what happens to the surplus produced by the State farms. Previously profits were appropriated by a small minority and often just one person. Now, profits are pooled and redistributed through the region on an egalitarian basis in an effort to overcome economic disparities of past eras. In this initial period, the surplus is being returned to the workers in the form of higher wages. It is expected that as soon as the standard of living is improved that an increasing share of the surplus will be allocated to social services such as health, sanitation, housing and education.

The creation of the People's sector represents more than a change in the property relations, it is also the embodiment of a new democracy. The campesinos and rural workers participate in the decisions that
affect their own lives as well as the social distribution of the surplus produced in the agrarian sector. Peasants are involved in plant and farm administration through the participation of elected delegates on committees at both the production and decision making levels. The workers within this sector have been organized into very active locals by the farmworkers union, Asociación de Trabajadores del Campo (ATC). The ATC is the legitimate representative of the rural workers to the Council of State which is the highest legislative body in Nicaragua. It plays a central role in training and mobilizing rural workers for their increased responsibility in participatory decision-making within the new State enterprises.

All aspects of the farm's operation are discussed jointly by ATC and INRA. These discussions range from production goals to problems of health and safety, production schedules, crop allocation the incorporation of new technology etc. Most farms have regular meetings of all the workers and administrators to further these discussions and correct errors. Production Councils grouping together workers and administrators from several agricultural factories within the same manufacturing area are now being set up to review the production goals of an entire sector. The People's sector embodies the preliminary forms of workers control. The ATC sees technical training programs as the key to more direct workers control and administration. It is this sector that the Sandinista's conceive as the development pole in Nicaragua for it is pivotal in breaking away from the capitalist mode of production.

C. Pro-Campo, The Cooperative Sector

The final sector serviced by INRA is composed by small
cooperativized farms. The land in this division is either expropriated land that was previously under-utilized and has been turned over to the campesinos, or privately held land which campesinos want to farm collectively. In the past, 100,000 campesinos were forced to live by producing in only 3% of the land. These were approximately 90% of all producers in Nicaragua the great majority working under isolated, individual conditions with primitive agricultural techniques.42 The Sandinista's commitment to raising the standard of living of both the rural and urban working classes required that they emphasize the cooperative model of development as well giving priority to basic grain production. This has focused State attention on means of raising smallholder productivity and procedures for providing access to land to landless workers to expand and diversify agricultural production.

The agrarian land reform has created what is perhaps the largest cooperative movement in any country in the world. Previous to the victory of the FSLN, the cooperative movement did not exist. Since 1979, 2,500 associative groups have been organized involving approximately 80,000 campesinos.43

Two broad forms of cooperatives have now been organized: the credit cooperatives called Cooperativas de Credito y Servicio (CCS) and production cooperatives called Cooperativas Agricolas Sandinistas (CAS). The CCS extends credit and technical assistance to organizations of small and medium property owners. They purchase inputs and market their output collectively. This access to credit and technical assistance was seen as crucial to develop the cooperative production sector CAS. Agricultural experts were amazed to find that maize production per 1 manzana averaged only 6 or 8 quintales when with
adequate technical assistance it could be increased to 100 or 120 quintale. There had also been a strong pressure from the campesinos who had asked INRA to provide accessible credit at reasonable rates. In the past, many times campesinos had to pay high prices for agricultural inputs and foodstuffs while selling their crops at extremely low fixed prices to repay advances. Jaime Wheelock emphasizes that:

"Organizational and productivity advances have been made in APP, now we have to strengthen the cooperative movement. It is this movement where the revolution will put its greatest emphasis." 44

The CAS are composed by lands which were formerly small somocista farms or sharecropper land. These lands technically remain in State ownership. Campesino families have been given 99 year leases and administer and manage the land on their own enjoying full profits from the farms. Families have to have at least 5 to 6 hectares and live there. The production cooperatives is viewed as the most advanced form of the cooperative. It is based on the collective use of land, collective labor and the collective distribution of the surplus that is produced. It is this sector which is expected to increase in size as a result of the recent Agrarian Reform Law passed in July 1981. The creation of the cooperative movement has served to increase the total land area in basic grain production at the same time that it has provided a mechanism for the introduction and development of collective forms of work in agriculture.

The organization of the production cooperatives on State and private lands has been another important measure in dealing with the employment problem. Many of the workers incorporated into these cooperatives are temporary seasonal workers on State and private farms.
By giving this group collective access to unused lands in the people's sector, not only do these producers find employment for all the year but their nutrition and standard of living is better through the production of basic grains and the use of the surplus for social needs of the community; clinics, schools, housing. Many of the campesinos in the cooperatives were strong supporters of the FSLN before the triumph of the revolution serving as an important social and strategic base. Being the most exploited traditionally they now stand to gain the most. So far they have been very supportive of the Government that has done so much for them.

The impressive degree of organization of the rural workers and peasants into cooperatives in just the first year of the agrarian reform is due to the strong initiatives and creativity of the ATC. It has been the ATC and not the State which has organized the workers and peasants into cooperatives. Below is a table showing the number of cooperatives and members by zone as of June 30, 1980 just one year after the triumph of the revolution.

Table 3
Number of Cooperatives and Members by Zone
June 30, 1980

<table>
<thead>
<tr>
<th>Zone</th>
<th>CAS(^a) on state lands</th>
<th>CAS(^a) on private lands</th>
<th>Credit and service coops</th>
<th>Total coops</th>
<th>Number of members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central</td>
<td>388</td>
<td>569</td>
<td>1,000</td>
<td>1,907</td>
<td>60,604</td>
</tr>
<tr>
<td>Pacific</td>
<td>88</td>
<td>210</td>
<td>155</td>
<td>453</td>
<td>9,905</td>
</tr>
<tr>
<td>Atlantic</td>
<td>25</td>
<td>97</td>
<td>30</td>
<td>152</td>
<td>3,345</td>
</tr>
<tr>
<td>Total</td>
<td>451</td>
<td>876</td>
<td>1,185</td>
<td>2,512</td>
<td>73,854</td>
</tr>
</tbody>
</table>

\(^a\)Includes precoops and collective work groups

Source: CIERA (1980), based on PROCAMPO and BND reports for August 1980
There are different types of CAS; those formed in the State's lands usually referred as cooperatives and those formed on land rented from the private sector called pre-cooperatives or work groups. This heterogeneity is again the result of the very high degree of flexibility evidenced in the Nicaraguan agrarian reform as compared with other agrarian reform in Latin America. It was estimated that already in the first year 70% of the total number of peasant households belonged to cooperatives.

There are very strong incentives to be organized into cooperatives. The ATC is assisted by the Banco Nacional de Desarrollo, the National Development Bank BND in providing credit on easy terms to the newly formed cooperatives. Whereas CAS members pay 7% on agricultural loans and CCS members pay 8%, nonorganized small producers pay 11% agricultural credit while medium and large producers pay pre-war interests of 14%. According to Marcheti, the total amount of credit directed toward small and medium producers increased by over 600% compared with the last year of Somoza's reign. An important explanation as to why their credit policy to the cooperatives has been so successful lies in the formation of a national committee for smallholder production. This committee is composed by representatives from BND, Pro-Campo, the ATC, the Ministry of Planning and ENABAS (the marketing enterprise for basic grains). This ensures a rational use of very scarce resources and the introduction of democratic and representative planning. At the local level, representatives from ATC, BND and Pro-Campo approve loans thus ensuring close familiarity with the needs and projects of local small producers.
The Private Sector

The private sector still plays a crucial and determinant role in Nicaragua's agriculture. The relative importance of the capitalist sector, the smallholder cooperative sector and state sector in terms of control of land, output and labor is shown below.

<table>
<thead>
<tr>
<th></th>
<th>State Sector</th>
<th>Capitalist Sector</th>
<th>Smallholder and Cooperative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution of Land</td>
<td>23.2%</td>
<td>62.9%</td>
<td>13.9%</td>
</tr>
<tr>
<td>Share of Agriculture Active Population</td>
<td>12%</td>
<td>38.1%</td>
<td>49.9%</td>
</tr>
<tr>
<td>Share of Volume of Production</td>
<td>19%</td>
<td>61%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Source: CIERA (1980)

The private sector not only controls the largest share of land but also produces three fifths of the volume of the agricultural production. The bulk of this production is exported. The State sector and smallholder cooperative sectors are now of equal importance in the generation of agricultural output but of less significance than the private sector. The private sector has also been playing a crucial role in the generation of foreign exchange for the country.

While the Sandinista State is based on the hegemony of the popular sectors, National Reconstruction is premised on an alliance with the national bourgeoisie. As long as the national bourgeoisie continues to invest and meet their production targets and responsibilities to the workers they have guaranteed their right to social existence as a class in Nicaragua. The middle income capitalists have shown up to this moment a willingness to cooperate with the
Sandinistas given that they have benefitted from the massive infusion of credit to the rural sector.

Article 27 of Statutes of Rights and Guarantees of Nicaragua summarized the basic guideline of the revolution: the right to private property is guaranteed as long as it serves a social function. The respect and guarantee for private property is tempered by several important controls. One is a set of strictly enforced labor code standards. Campesinos shall never again be forced to work under the conditions and oppression of former eras. Another control on the private sector is the nationalization of foreign trade. The State is the single purchasing agent of export crops and through predetermined prices the private sector will receive fair but strictly regulated profits.

Probably the most severe limitations on certain groups of the private sector has been the new Agrarian Reform Law which strictly limits the leasing and parceling of land. A sector of the agrarian bourgeoisie profited considerably due to the control of land rents. Kamowitz and Thome estimated that 40% of cotton production was carried out by capitalist farmers on rented lands. Capitalist farmers now have to pay minimum wage.

However, there are many measures that have been designed to benefit that sector as well. For example, a high priority is placed to extending agricultural credit through the State controlled commercial banking system. The Ministry of External Commerce controls and guarantees a minimum price for export crops such as coffee, sugar, cotton, beef and tobacco. This protects the producers from the destabilizing influence of the international market price fluctuations. The State absorbs any downward fluctuations in international prices.
for agriculture exports but allows private producers to benefit from upward fluctuations in international prices. At this moment there is a Patriotic Tax of a flat 6% of all capital goods, banking accounts and major possessions (houses, cars) also the benefits from exports are taxed at a progressively higher rate.

Due to production and political problems with the private sector, the Nicaraguan revolution again showed its flexibility and softened its stance against the private sector. On March 8, 1982, The New York Times reported that the Nicaraguan Government declared a package of capitalist economic measures which some officials describe as the "last effort" to persuade local private sector to participate more fully in the country's mixed economy. The economic package enables exporters of cotton, coffee, sugar and meat to trade their foreign exchange on the parallel market at around 23 Cordobas to the dollar rather than at the official rate of 10 Cordobas to the dollar. The private sector will be allowed to use their foreign exchange income to import machinery from abroad.

Some elements of the agrarian bourgeoisie which have had their interests affected have used their most effective weapon: economic sabotage. The bourgeoisie like the workers can go on strike by shutting down its plants, abandoning property, decapitalizing productive units from their machines and inputs or refusing to plant agricultural crops in the only time of the year when it can be done. For example, cotton requires constant technical assistance. Large producers by neglecting their field for only a short period of time can destroy most of the crop. Many large producers have engaged in capital flight from Nicaragua. It is estimated that over $200 million dollars have fled the country. 48
Having learned from the tragic Chilean experience, the Government of National Reconstruction decided to pass clear and precise laws in order to control and punish any form of economic boycott manifested in idle unproductive lands, decapitalization and political statements or actions which threatened the national unity. In July 1981 it passed the Agrarian Reform Law and in September a Law of National Emergency.

The Agrarian Reform Law

The need for an Agrarian Reform Law was clear: after one year of the revolution 1.2% of the population still owned 47.1% of the land while 30% of the rural farming population either had no land or worked as tenant farmers. Given this agrarian structure there was a need for a major transformation of the latifundios and extensive unused properties in the hands of the oligarchy. Below is a table indicating the different sectors which comprise the rural farming population in Nicaragua:

Table 4
Rural Class Structure, Nicaragua 1980

<table>
<thead>
<tr>
<th>Rural Class Sector</th>
<th>Economic Active Population in Agriculture (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Landholders and Capitalists</td>
<td>0.7%</td>
</tr>
<tr>
<td>Middle Income Capitalists</td>
<td>8.9%</td>
</tr>
<tr>
<td>Wealthy and Middle Income Capitalists</td>
<td>29.1%</td>
</tr>
<tr>
<td>Poor Campesino &amp; Part-time Wage Earners</td>
<td>36.5%</td>
</tr>
<tr>
<td>Full-time Agricultural Wage Earners</td>
<td>7.5%</td>
</tr>
<tr>
<td>Seasonal Farm Workers</td>
<td>17.4%</td>
</tr>
</tbody>
</table>

Source: Instituto Historico Centroamericano

The law will affect those properties of 1,000 manzanas or more which lie fallow, are deficiently exploited or are given in lease.
Also to be affected are those terrains that are not directly worked by the owner but by the peasant in various quasi-feudal forms. Excepted from the effects of the Reform are properties of less than 50 or 100 manzanas depending on the region. These lands will be distributed to four basic groups of peasants: to those families who lost relatives in the war, to those that have insufficient land to provide a subsistence for a family, and to some 60,000 seasonal workers who need land to provide the basis for an income during the eight months of the year they are not harvesting the large estates. In the distribution procedure of expropriated lands, the law favors cooperative holdings rather than giving lands directly to minifundistas because the minifundista system is not seen as capable of sustaining a family.

Lands will be given through Agrarian Reform titles which will ensure the rights of dominion, possession and usufruct of the granted land, stipulating as well that this land cannot be sold in any form and can be transmitted only through inheritance and used for the attainment of agricultural development. It is prohibited to divide land grants into parcels smaller than the size determined by the reform law, which guarantees sufficiently large parcels for each family to have a standard of living equal to that provided by the minimum wage.

The Law also establishes agrarian reform zones to deal with the specific problems of uneven development. Zone A is composed by the departments of Managua, Masaya, Carazo, Granada, Rivas, Chinandega, Leon, Matagalpa and Jinotega all in the Pacific zone. Zone B is constituted by the rest of the country's departments. An important juridical innovation of the agrarian reform is the creation of Agrarian
Tribunals, entities charged with hearing appeals from affected parties and resolving them. These tribunals have the purpose of speeding up the process of affecting and assigning lands and avoiding injustices through the non-recognition of titles or never ending appeals proceedings. The Tribunal's judgements are final and not subject to appeal.

Depending on the category of land, three different classes of compensation have been divised for expropriated lands. Under the first class expropriated owners are paid bonds for their land which they can claim after fifteen years at four percent interest. Those in the second class receive twenty year bonds at three percent interest. Finally, the third class which is composed of owners who used tenancy arrangements to exploit their workers have to wait twenty five years for two percent interest. The latter group held large numbers of land but represent a small fraction of the producers.

The Agrarian Reform Law seeks to benefit the poor campesino and the seasonal farmworker who together comprise 53.9% of the rural population. The new law will expropriate all those holdings which are being decapitalized or not engaged in productive employment. It will distribute land to over 100,000 campesinos while protecting the property rights of the large landholders that are producing. In essence, it intends to do away with pre-capitalist forms of production and exploitation such as the farmer tenant system, by distributing land to organized rural workers and encouraging the campesinos to form producers cooperatives to meet the demands of the internal market for foodstuffs.

The most important characteristic of the Agrarian Reform is that
it is an instrument of economic liberty for the great majority of rural workers. It has a strong democratic character in that it is flexible in its treatment with the different social sectors in the countryside. On the one hand, it tries to benefit the small and medium producers by extending credit and technical assistance to them while at the same time it tries to eliminate the backward and outdated social relations embodied in the poor campesinos with no land, the precaristas, arrendatarios and medieros.

There are few Agrarian Reform Laws that start by guaranteeing the right to property ownership and then proceed to describe the exceptional cases where property ownership will not be respected. Generally, agrarian reform laws begin by stating their anti-latifundista character and declaring a reduction in property size. They presuppose that land is badly distributed and that there are few large property owners who are not producing efficiently and many peasants without land. In Nicaragua they have done the opposite. They have guaranteed the rights to property to those who are producing efficiently to then proceed and state under which conditions land will be expropriated.

The agrarian reform is therefore not only land distribution but also the organization of a new social class composed of producer cooperatives. As Jaime Wheelock states it, "the agrarian reform is not made exclusively as a social movement but also as an economic movement, as a movement of economic development." The Agrarian Reform Law gives land to the poor campesinos, encourages the transfer of unused or unproductive lands to associated campesinos in cooperatives while allowing at the same time the coexistence of private productive units because they work efficiently. Marcheti describes the purpose
of the agrarian reform as follows:

"The purpose of the land reform law is to build and strengthen the mixed economy that exists and to guarantee that it is governed by the logic of increasing justice for the poor. The people who are really going to be touched by this law are absentee landlords who rent their lands... This kind of land reform illustrates how the Sandinistas are trying to avoid the mistakes of bureaucratic socialism. Their principal is to reduce the responsibility of bureaucratic units."51

This comes from a basic principle of the revolution that all the social sectors have to be above everything else, united in the defense of the Revolution against outside aggression. That is why in many instances and circumstances the political aspect of the Agrarian Reform will predominate over the strictly economic problem. As a Sandinista Commander stated:

"It is important to place the Agrarian Reform within the strategic framework in which the revolution, with its internal social, political and economic process is placed within a correlation of forces at an international level. U.S. imperialism is the principal enemy of the revolution and at every moment there is a confrontation between imperialism and the Nicaraguan Revolution... Imperialism threatens to disrupt by every possible means the transformation process."62

The greatest threat to the Nicaraguan Revolution today is not so much the economic problems inherited from Somoza or the boycott of the international lending institutions or the external or internal attempts to decapitalize the economy. Although those are certainly serious problems, the real threat lies in a military invasion to crush the achievements of the Sandinista Revolution. This then explains the great political importance of the Nicaraguan reform. The most important problem is the viability of the Revolution. The economic problem has been subordinated to the political need to defend and consolidate the new State through a unified movement.
The Achievements of the First Years of Agrarian Reform

What is interesting about the Nicaraguan Agrarian Reform is that the country has not experienced a drastic reduction in production. On the contrary, with the exception of some cases, material production has been increasing yearly. This has been due to the large support given to the small and medium producers. The accomplishments of the first years of the agrarian reform have undoubtedly been tremendous. From an agricultural sector which was in total disorganization at the end of the war period, a new agrarian structure has been created to provide the structural mechanism for increasing rural standards of living as well as collective work processes and participatory forms of decision-making in the reformed sector.

A most noticeable achievement of the first year of the agrarian reform has been the progress made in meeting the demand of the sub-proletarians for full-time employment. INRA has given priority attention to increasing the amount of work available to temporary workers on the State farms during the "dead season". Data from Agro-INRA show an increase in permanent employment of 12.5% in the tobacco enterprises, 17% in the rice enterprises, and 31% in the sugar enterprises. Most of the increase in employment has been possible due to the increased investments in infrastructure improvements and social services. The Sandinistas hope that increased investments in irrigation, in particular, will expand year-round employment by allowing the production of basic grains on irrigated lands during the agro-export "dead season".

Another tremendous achievement has been the huge harvest of basic
grains which comes from the small farmers and is financed by government credits. During decades, the repression from the Somocistas hindered the development of basic grain production by not channeling credit to the campesinos. Somoza protected the intermediaries who exploited the campesinos leaving them without the necessary profits to expand the cultivated area. The National Guard also repressed those campesinos who tried to invade the lands of their landowners. Thus the Somocista State mediated the relations between labor and capital reproducing in each new cycle the conditions for the growth of the agro-export model of development. In the past it was hunger that drove the campesinos to the cotton and coffee harvests.

With the Revolution, government loans to small farmers jumped from 100 million Cordobas in 1979 to 700 million in 1980.\textsuperscript{54} It is expected that Nicaragua will soon be self-sufficient in rice, beans and corn. This is the first step in restructuring the historic imbalance between export production and the production of basic grains. As of August 1980, the amount of land planted in beans was 26% greater than in 1978 and in corn 20%.\textsuperscript{55} As a result, corn and bean production during 1980 exceeded that target in the 1980 Reactivation Plan. The greatest production increases were secured in sorghum and rice which surpassed the 1980 production targets by 75% and 31% respectively.

During Somoza's time, minimum wages for agricultural workers were hardly paid. It was common to pay wages ranging from 80¢ to $1.70 per day of work (a work day included approximately 10 to 12 hours of work). The compliance of minimum wage laws had been one of the strongest demands by the ATC before the Revolution. It is now estimated that rural wages in the first year of reform increased 60%, however,
an inflation rate of 35-40% affected the increase in real wages. The ATC has demanded that a fixed share of any increase in the social surplus due to productivity increases be set aside for social infrastructure investments. As a result, better working conditions, housing and sanitation exists in even privately owned properties. New schools, clinics and policlinics have been constructed in the countryside.

Among other social achievements is that in each production unit there has to be a basic health and medical provision center. Many of the shacks in which campesinos lived under inhumane conditions have been destroyed. INRA has constructed more than 1,200 individual housing units and 800 housing units with very small resources. Agricultural extension courses and literacy campaigns are continuously carried out and child care centers are being promoted in enterprises of APP. The ATC has even established rural supply centers Centros de Abastecimiento Rural (CAR) to supply basic goods to State farm workers at low prices. By mid 1980 there were 60 in operation. The goal was to increase them to 360 by 1981.

Before marketing was handled by price gouging middlemen. After the revolution the state created a new organization called the basic grains marketing enterprise ENABAS. Its role has been to offer food subsidies to both urban consumers and peasants ENABAS has been able, through some of the earnings from export crops, to set subsidy prices that give incentives to the peasants to produce more grain and reduce the mark-ups to consumers. Instead of buying from an exploiting middleman, a local grocer can now buy directly from ENABAS. This mechanism has stopped and served as a brake to prevent the type of breakneck
inflation which took place during the transition process in Chile.

As a result of the redistributive impact of the agrarian policies, food consumption has increased significantly. It is estimated that the internal consumption of wage goods increased by 29% in 1980. It is expected that the 1980 production of basic grains will be sufficient to cover the 1981 internal demand. Wheat and flour will continue to be imported since Nicaragua does not produce wheat.

It is interesting to point out that with the restructuring of Nicaragua's agricultural sector that only the export crops failed to meet the targeted acreage levels in the 1980 plans. Cotton plantings fell short 21% and the amount of land in coffee production was 4% less than expected. The shortfall in coffee acreage was largely due to the impact of the coffee rust. The reduction in the cotton plantings is the reflection of the tensions in Nicaragua's mixed economy. Nonetheless, yields on lands planted to cotton were higher than expected and cotton production met the 1980 output target. Even so, cotton exports in 1980 were only 15% of the 1978 level.

Together with the effort to diversify agricultural production the government and the ATC have engaged in popular mobilization campaigns to introduce appropriate technologies in the countryside. In the past, thirty to forty percent of the basic grain crop was lost in the post harvest period because of poor storage facilities. Marcheti describes how the government organized a campaign to change that:

"The government has launched a popular campaign in which they train 500 peasant leaders to make rat proof corn cribs, and corn cribs that allow more rapid drying and better preservation... Those 500 people went out and taught ten people each and now there are 5,000 people who know how to make those corn cribs. That's what we mean by popular mobilization toward appropriate technology."
Another significant advance has been the introduction of modern administration and financial methods to APP. Before the Revolution these properties were bankrupt and had serious organizational, financial and inventory problems. The introduction of administrative planning in each enterprise according to regional economic plans has allowed for a better coordination of production, financial efficiency and increased production. New accounting, quality control and statistical techniques called Sistema Unico de Control were introduced. Its purpose is to detect production and efficiency shortcomings. It includes a cost accounting method, project design and evaluation and careful inventorying. This has had clear results: in the first year APP planted 1,500 manzanas in 1980 it increased to 22,000 and in 1981 to 27,000. INRA and ATC are planning to expand this to 30,000 in 1982. The State sector is expected to expand gradually and in select areas in the crop year 1980-1981 over 1979-1980. Below are some charts which indicate the expected results:

Table 5
State Produced Products for Exports
estimated percentages

<table>
<thead>
<tr>
<th></th>
<th>79-80</th>
<th>80-81</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coffee</td>
<td>12.5</td>
<td>14.76</td>
</tr>
<tr>
<td>Cotton</td>
<td>4.62</td>
<td>15.85</td>
</tr>
<tr>
<td>Sugar</td>
<td>43.67</td>
<td>42.6</td>
</tr>
<tr>
<td>Tobacco</td>
<td>49.78</td>
<td>90.67</td>
</tr>
<tr>
<td>Meat Packing</td>
<td>55.00</td>
<td>55.00</td>
</tr>
</tbody>
</table>

Source: INRA
Table 6
State Produced Food Crops for Internal Consumption
(80-81 estimated INRA %)

<table>
<thead>
<tr>
<th>Crop</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rice</td>
<td>32.59</td>
</tr>
<tr>
<td>Beans</td>
<td>3.80</td>
</tr>
<tr>
<td>Corn</td>
<td>16.90</td>
</tr>
<tr>
<td>Wheat</td>
<td>41.43</td>
</tr>
</tbody>
</table>

INRA has tried to improve the planning and control mechanisms by increasing the participation of workers in the enterprises and strengthening the role of the ATC in decision-making processes. Both INRA and ATC see the effective participation of workers in the management of the State enterprises as a long term process which is determined by training, education and political education. The ATC considers the national literacy crusade which reduced illiteracy rates in the rural areas considerably, as the first step.

Problems of the Transition Phase

The economic situation in Nicaragua is very critical. The massive foreign debt which was inherited from Somoza now has to be repaid. This is exerting a strong pressure on the economy. The service of the debt leaves almost no money to buy medicines, fertilizers, tractors etc. This problem is aggravated since the international market prices of the export crops have been falling offsetting any production increases. While the price of imported oil and machineries have been increasing. As Daniel Ortega explained in his speech to the United Nations, 47% more cotton was required to buy one tractor in 1981 than in 1977; or 54% more sugar or 145% more coffee. Nicaragua is also immersed in a region plagued with economic and political problems. Many of the countries it depends on for raw materials are undergoing an acute
crisis themselves.

The foreign assistance required for reactivation of the economy has not been forthcoming in sufficient volume. The U.S. government has proceeded to cancel economic aid and needed food imports for Nicaragua. It has instead engaged in an active campaign to overthrow the Sandinista regime. Nineteen million dollars have been allocated to the CIA to sabotage what little infrastructure factories agricultural machinery and bridges which have remained after the devasting war. The U.S. is also sponsoring military training camps for exiled National Guardmen who speak openly about invading Nicaragua. A massive military buildup has taken place in Honduras and counterrevolutionary bands stationed there invade Nicaraguan territory in an effort to create a chaotic political and economic climate. This has forced the Sandinistas to spend what little resources they have in defense of the country.

The vast expansion of the State investment in social infrastructure and services as well as accelerated expansion of credit have led to monetary and fiscal expansion causing inflationary pressures in the economy. Most of the private sector is supportive of the FSLN. However, some private entrepreneurs who control important and key industries are decapitalizing and carrying an economic boycott worsening the economic situation. It is no wonder that high FSLN officials stated that:

"The greatest fight right now is not so much to improve the standard of living of the worker but to assure that those conditions do not deteriorate even further."63

Productivity has remained low (labor problems were estimated to have cost $100 million in 1981), unemployment and inflation, which had bottomed out at 18% and 25% respectively by 1980, both begun to rise
again; state bureaucracy growth had mushroomed from 33,000 to 61,000 employees. Reserves had hit rockbottom and it was pratically impossible to generate any internal surplus without resorting to more foreign aid. The struggle to maintain levels of productivity and profitability in both the agricultural and industrial sector are immense. It is here that we find ourselves at the nerve center of all the problems associated with the transition to a new economy in Nicaragua. The economic gains of the rural masses and the strengthening political power of the working class has created a situation in which the export model per se has come under fire. Although basic grain production has increased, the production of export crops particularly cotton remain far below pre-revolutionary levels.

Given the extreme need for foreign exchange it might be useful to study the possibility of achieving higher levels of basic grain production and exporting it to other Central American countries. The Sandinistas would like Nicaragua to become a supply grainery for Mexico, Venezuela, Central America and the Carribean at a time when those countries internal markets are not producing enought. This sector so heavily repressed by Somoza, may prove to be the most dynamic element of future growth and an essential element of a rupture with the past agro-export model. For this potential to be fully realized the Sandinistas will have to correct some of the drawbacks which has taken place in the cooperative sector.

There are several indicators which point to the possibility that the advances of the poor campesinos might disappear in the future unless careful policies are adopted promptly. On the first place, it seems that during the first year of the agrarian reform the rich campesinos
took more advantage of the vast flow of credit than the poorer campesinos. This was due to the lack of interest rate payment differentials among different types of small producers. In an area where social class determines the quality of information on credit policy and its distribution, the rich peasants (small coffee producers) obtained six times more credit per family than the poor arendatario campesinos producing basic grains. Among the arendatarios, those which had previous crop planting experience obtained twice as much credit as those who were planting for the first time. The reason for a vague policy with respect to interest rates and differential prices for different social classes is due to the tactical alliance with the middle classes and this might be one of the clearest difficulties of the agrarian reform.

The task of rapidly reactivating the economy has not allowed sufficient time to define and formulate an appropriate technological package aimed at lessening external dependence. The results thus far has been that in general, expansion of credit has created the problem of encouraging the type of technology that do not meet the needs of the poor campesinos. This has increased the dependence on U.S. technology. Also in some regions the extension of credit was greater than in others, or it was far superior to the economic potential of the land resulting in some campesino families becoming indebted. The question which worries some officials is whether loans will be repayed. Since much of the extended credit was not tied to the purchase of agricultural inputs. There were large numbers of landless poor in the Pacific Region who used the credit to increase consumption levels and thus there standards of living. The repayment issue has
generated a strong debate between ATC and the National Development Bank.

The temporary and rapid increase in the standard of living of many campesinos coupled with reduced labor migration from Honduras and El Salvador have produced a serious labor shortage during the harvest season particularly in private farms. Previous to the triumph of the revolution, the agro-export model, as we saw, was based on the extraction of a high rate of profit. This was due to the maintenance of a cheap temporary labor force. The rural labor reserve was made up of rural workers and peasants without sufficient access to land and credit to meet the minimum subsistence requirements. They were forced to work in the agro-export sector of the economy. However, the revolution has changed all this, with new lands and credit distributed in favor of that social class the incentive to work at private lands has decreased. Also workers prefer to work in APP where social investment is carried out to benefit the workers and where they have a say in the management and decision-making at work or try to form a cooperative of their own.

Besides increases in the standard of living in rural areas, a related problem that has affected labor shortage situation has been the increases in class attendance for children. All of this has forced the government to create volunteer work brigades from the cities to engage in voluntary work during the cotton and coffee harvests. The productivity of this labor is usually low but it also serves a clear political purpose of solidarity and unity between the rural and urban social sectors. As a result of these voluntary work programs there has been a heightened consciousness on the part of the city
dwellers about the harsh living conditions of the campesinos and the importance of foreign exchange for the revolution.

Finally, the expansion of basic grain production advanced at a much faster rate than the improvement of the marketing channels. This also contributed to increased indebtedness of the campesinos. This problem was most severe in the agricultural frontier region where the lack of roads, transportation facilities and markets made it extremely hard to market the goods which campesinos had produced thanks to the allocated credit. In general the enormous flow of credit and the incentives given to the production of basic grains resulted in a sizeable increase in the currency in circulation. This caused inflationary pressures on agricultural inputs and basic foods. Much of what the campesinos gained in credit was later lost by increased inflation.
CONCLUSION

With the land reform program and the recently passed Agrarian Reform Law, the Sandinistas have been able in a short period of time to start undoing the historic knot of the agro-export sector which had hindered the development of the internal productive forces and basic grain consumption. A new transitional period has been created based on a mixed economy and a pluralistic and democratic society. The creation of the APP and the cooperative movement has started to solve the traditional problems of unemployment, malnutrition, illiteracy, low wages and participation of the producers in society. The transition to a new society has encountered many problems due to the destroyed and underdeveloped infrastructure of the inherited economy and the international aggressions from neighboring countries and the U.S. However, the revolution with its great flexibility and support from the people has in a very short period of time drastically changed the old structures and has begun to replace them.

The distribution of nationalized land to smallholders in the form of cooperatives has almost done away with the pre-capitalist mode of production and created a new rural class composed by associated producers. This has been followed with massive infusion of credit and technical assistance to the cooperative sector. The results have been incredible: Nicaragua is now almost self sufficient in the production of basic crops, commodities which it previously imported. In a few years, Nicaragua will be exporting basic crops to other Central American countries. This could serve as an example to many other underdeveloped countries whose domestic food production is low
or nonexistent due to existing land tenure structures or government credit policies and priorities.

The U.S. food embargo on Nicaragua forced the Government of National Reconstruction to conceive of a national emergency nutrition plan to reactivate the production of beans, rice and maize. That act by the U.S. prompted the Sandinistas to act with greater speed. As Alejandro Bendaña, Nicaragua's alternate Ambassador to the United Nations stated,

"As a result of the U.S. government decision to cut PL-41 program through which we received wheat imports to produce bread, we suddenly discovered that we had a culture based on maize which we had ignored because of the created dependency on the U.S. From now on, instead of eating "Wonder Bread" we shall eat tortillas."  

Nicaragua was fortunate to have been prepared politically to face and counteract to such a move. The willingness of the U.S. government and other major economic and political powers to use hunger and food as a political weapon should serve as a lesson to other countries. This was not the first time that the government of the U.S. had used this weapon. The example of Nicaragua will be very important to other countries which are trying to become politically and economically independent.

The problems of transition in underdeveloped countries are very complex. All the measures adopted in Nicaragua by the government eventually ended up questioning the traditional and dependent agro-export sector. This sector is still seen as crucial for it generates the foreign exchange needed to pay back the loans, extend credit, build schools, clinics and other social services. The problems with reactivating the agro-export sector have been serious: increased wages for rural workers, their right to organize into unions, the land
distribution program and the massive investment in the social wage has kept the migration of workers to the agro-export sector of the economy limited. Workers are no longer driven by hunger to work in those fields. To meet these labor shortages, the government has instituted volunteer brigades of urban dwellers to work during the harvest season of coffee and cotton. These work groups have not been very productive but have served as a medium for raising the consciousness and awareness of the urban sectors to the problems of rural under-development. In many ways, these volunteer work groups have served to break down the barriers between the cities and the countryside.

Control over land is no longer the pressing issue of development. That problem is being solved with the recent Agrarian Reform Law. The issue of control over labor is now central to many of the problems of the agro-export sector. The absorption of labor into the production of basic grains instantly increased the power of the working class in the labor market. The workers can during this period, decrease their productivity per hour without fear of loosing their jobs. The increasing employment opportunities in APP and the wage increases during periods not corresponding to the harvest season of coffee and cotton are factors which have determined why campesinos do not go to those harvests and why labor productivity can be so low.

Given the economic boycott organized by the private sector in the agro-export economy, the Sandinistas will be faced with complicated political decisions to make: how long can the revolution tolerate this economic and political disruption? The initial agreement between the FSLN and the bourgeoisie had been that the FSLN would guarantee their right to existance as a class as long as they were engaged in active
production and did not sabotage the economy. This agreement has been
violated consistently and several emergency measures have not been
able to change this attitude. With a strong need for foreign exchange
income, if the private sector continues not to cooperate then its
economic power, namely control over private land will have to be
terminated by expropriation.

Before breaking away from a model of mixed economy, the Sandinistas
have to prepare themselves for the administration and production of
the expropriated lands. They should secure the strength of the
recently established cooperative movement. The cooperative movement
will be able to provide basic foodstuffs to the Nicaraguan population
thus decreasing external dependency. It might even be able to generate
foreign exchange revenues replacing any temporary loss from the agro-
export sector. The importance of the cooperative sector lies in
providing the rural population the opportunity to experience
collective forms of management and decision-making at a small scale,
familiarity with credit usage and policies, and social infrastructure
planning. All this experience will be necessary to administer and
control the would be expropriated lands. At this point in time, neither
the FSLN nor the ATC possess sufficient technical expertise to
administer more expropriated lands.

To solve the problems which have recently affected the cooperative
movement, it will be necessary to impose the marketing channels of
ENABAS so that the campesinos can receive sufficient income from the
sale of part of the food production with which to pay back their
loans. This should be a strong priority of the Sandinista policy-
makers since efficient use of scarce capital will not take place if
corrective measures are not quickly implemented. Also, the BND will have to be more selective with its credit policy so as not to generate further inflationary pressures. Better censuses and studies of Nicaragua's rural structure have to be obtained for each region in order to insure that credit is being used for efficient production in the newly distributed lands. All of these efforts should be coupled with increased technical assistance from UPE administrators (who manage and are responsible for larger volumes of credit, fiscal management and decision-making) agronomists, technicians from the planning ministry as well as the affected mass organizations.

Perhaps the most important conclusion is that it is impossible in Latin America to solve rural poverty and underdevelopment without a considerable participation at all levels of decision-making of the most exploited, in the creation of new production models and policies which meet their needs. In order to set up organizations and new economic and social structures aimed at abolishing underdevelopment the Nicaraguan people had to struggle and win a revolution; a military and political victory over their oppressors. Once in control of the State and having destroyed the repressive National Guard the people were ready to start their own transition process to a new more equitable and democratic society. The basis for all the change has been that the people play a fundamental role in the political and economic process and - the army is not divorced from the people.

Today the participation of campesinos is massive. This participation takes place at different levels of the economy and in different ways: through their union organization at the ATC they participate in the administration of APP units, they also participate
through UNAG in the distribution and allocation of food in the local markets. They participate in establishing national policies and agricultural policies through their effective participation in the Council of State. Finally they participate at a regional and local level evaluating and implementing policies.

The FSLN has had the advantage of learning and assimilating the experiences of other transformation processes. It has been very flexible and has responded with incredible creativity to the needs of the campesinos. In essence, their influence and support of the masses is an important factor which explains the success of the Agrarian Reform Program.
FOOTNOTES

1. Association of Rural Workers ATC Slogan printed on billboards in Nicaragua.


3. Comision Económica para America Latina (CEPAL), Nicaragua Repercusiones Economicas de los Acontecimientos Politicos Recientes (Santiago, Chile, CEPAL August 1979), p. 18.

4. FSLN, Secretaría Nacional de Propaganda y Educación Política del FSLN; El País que Heredamos, Que Debemos Defender y queremos Construir, p. 28.

5. Ibid, p. 17.


10. Speech by J. Wheelock at the Second Congress of Latin American Sociologists 18 October 1981.

11. Ibid.

12. Speech by J. Wheelock in Marco Estratégico de la Reforma Agraria.


21. J. Wheelock, Imperialismo y Dictadura, Siglo XXI.

22. Ibid.


25. Ibid.

26. Ibid.

27. J. Wheelock, Imperialismo y Dictadura.


29. Ibid.

30. Ibid.

31. J. Wheelock, Imperialismo y Dictadura.


33. Ibid.

34. Alain de Janury and Lynn Ground, "Types and Consequences of Land Reform in Latin America," Latin American Perspectives Issue 19, Volume V, No. 4.

35. Ibid.

36. Carlos Fonseca Amador, Agusto Cesar Sandino Siglo XXI.


40. Ibid.

41. See description in EPICA and NACLA.

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