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Characteristics of a New Economic Model

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Characteristics of a New Economic Model

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INTRODUCTION

In the first half of the 1980s the U.S. debate about Central America was often inflamed by widely varying perceptions about the direction of Nicaraguan social and economic policies. The Reagan administration, for example, repeatedly asserted that Nicaragua had become a clone of Soviet Marxism-Leninism, tempered perhaps by tampering in Cuban laboratories.¹ This impression of Nicaragua was fortified at times by the rhetoric of the Sandinista government. Moreover, the modes of historical analysis and political thought most frequently encountered in contemporary Nicaragua do reflect the profound influence of Marxist thought in pre-1979 intellectual circles.

Most observers, however, including U.S. embassy personnel in Managua when speaking not for attribution, scoff at the notion of Nicaragua as a simple rerun of the Cuban experience. Scholars of the Cuban revolution and those familiar with other socialist and non-socialist developments in the Western Hemisphere have been quick to note the differences between Nicaragua and Cuba, both in declared policy and in actual practice. Those studying the Nicaraguan experience itself point to the non-Marxist origins of and the rationale for many of the economic policies implemented during the first years of the Sandinista regime.² Indeed, the importance of private capitalist production in Nicaragua's critical export sector, the evolving nature of Nicaraguan agrarian reform, the stimulus given to private-sector production by the Sandinista government (often at the cost of virulent criticism from its most radical supporters), and the courting of foreign private investment, for example, hardly fit with a simplistic view of the Nicaraguan economic experiment as typically socialist.

Characterizing the nature of revolutionary Nicaragua thus remains a difficult intellectual task. On the one hand, we must acknowledge that the Nicaraguan experience is by definition unique, since both the anti-Somoza insurrection and its aftermath were attributable to unique social and political forces. On the other hand, examining the histories of archetypically socialist countries such as the Soviet Union and the Peoples Republic of China can bring out certain criteria that will allow us to assess the socialist nature of the Nicaraguan transformation. And comparing Nicaragua with other attempts in the Western Hemisphere to turn away from traditional capitalism, particularly the social experiments in Cuba since 1959 and in Jamaica under Michael Manley, can help us locate the Nicaraguan development strategy within a spectrum of other countries' responses to dissatisfaction with traditional capitalist development paths.

In making these comparisons, we do not discuss whether Nicaragua should incorporate the policies employed by actually existing socialist or various transitional societies. Rather, we are simply trying to establish reference points by which to gain insight into the problems and possibilities in present-day Nicaragua. Certain inherent limitations, however, apply to this type of comparative analysis. First, even if the architects of the new Nicaragua had intended to create, in some form, "another Cuba," the geopolitical realities of a bipolar world may have led them to restrain their public pronouncements. Second, Nicaraguan economic policies were forged in a crucible of U.S. aggression that often seemed designed to destroy the emerging economic structure whatever its origins and tendencies. The reaction to this aggression has likely led Nicaragua to adopt certain policies that may not have

been part of the Sandinistas' original development strategy, a point we return to below.

In this essay, then, we characterize the evolution of the Nicaraguan experiment, making reference both to other transitional experiences and to the unique characteristics of the Nicaraguan model. We develop a set of criteria by which to characterize a transition as socialist, drawing these criteria from a brief comparison of the experiences of the Soviet Union and the People's Republic of China (especially during their periods of transition) and from an examination of the "third path" of "democratic socialism" attempted in Jamaica in the 1970s. We then contrast the Nicaraguan experience with comparable periods in what might be viewed as the contemporary application in the Western Hemisphere of the archetypal Marxist-Leninist or orthodox socialist model: the Cuban revolution. We close by raising questions about the possibilities for self-sustaining economic progress in Nicaragua and by noting the challenge that the Nicaraguan model presents for U.S. policy.

SOME INITIAL CRITERIA FROM ARCHETYPAL SOCIALISM:

THE SOVIET AND CHINESE MODELS

Whether because of historical precedence or sheer magnitude, the Soviet Union and China are often taken as the archetypes against which other socialist experiments must be measured. Jameson and Wilber, for instance, propose an implicit typology of socialism in developing countries based on similarities to and dissimilarities from these classic examples.³ Drawing upon the experiences of China and the Soviet Union, they suggest a set of "central questions which will appear in any socialist development pattern": (1) the nature of the initial seizure of power, (2) the changes wrought on the preexisting society to

create preconditions for socialism, (3) the development strategy then enacted, (4) the nature of organizations and institutions subsequently erected, and (5) the specific role of the state. Reviewing the history of the socialist archetypes with respect to these questions, they argue, helps define both a range of policies that one should expect in new socialist societies and a set of central problem areas that must be addressed by any socialist model.⁴

FitzGerald has proposed a separate set of overlapping problems facing small peripheral societies in the process of transition from a historically inherited situation of capitalist underdevelopment. He calls attention to seven concrete problems: articulation of different forms of production, reinsertion into the international division of labor, labor and distribution, price formation and the appropriation of surplus, macroeconomic management and planning, accumulation and economic development, and the defense of the transition itself.⁵

We draw upon these authors, as well as others, to develop several criteria for evaluating the socialist character of the society that has been created (where there has been time for consolidation), the society toward which a nation may be moving, and the transitional policies that may have been implemented to move it in that direction.⁶ Like Jameson and Wilber, we begin by setting forth six criteria based upon various characteristics of the socialist transition in the Soviet Union and China. We return to these criteria later when we evaluate the Nicaraguan experience since 1979. We begin with:

1. Initial policies criterion. The nature of the immediate changes implemented to bring about a transition toward socialism provides a first test of the intent and direction of ultimate change. Changes are more socialistic to the extent that the new

regime immediately and dramatically reduces or eliminates private ownership, expands collective or state ownership, and consolidates that control through changes in the supporting financial and management institutions.

There were similarities in the initial actions of the revolutionary states of the Soviet Union and China which indicated that the new leadership hoped to create the preconditions for socialist transition; these similarities are all the more striking because the conditions the two governments first encountered were dramatically different. In both instances, the initial policy package included rapid elimination of the economic role of foreign capitalists and steps toward the collectivization of landed estates and nationalization of industries. In terms of FitzGerald's concern about how the revolutionary state deals with the coexistence of differing forms of production, we would suggest that, in both China and the Soviet Union, old capitalist forms of production were quickly eliminated, even before alternative socialist forms had been clearly put in place.

2. Labor process and basic needs criterion. One way to evaluate the socialist character of state policies is to examine any changes in the organization of the labor process and in the provision of wage goods and other basic services. For the underdeveloped capitalist economy on the periphery, the key questions include: How does the new society replace the economic pressures and institutionalized violence that accompanied primitive accumulation? How does it provide for improvements in the fulfillment of basic needs? How does it deal with the tension between the propensity for work intensity

and production to decline and the expectation of immediate improvements in the standard of living? ⁷

Both China and the Soviet Union paid significant early attention to improving education, health, and housing services. The principal focus, however, soon shifted to the processes of growth and accumulation. Both societies have been criticized on the grounds that this shift in focus toward aggregate growth drew attention away from the earlier goals of increasing consumption and enhancing workers' participation in the labor process.

3. Price-setting and planning criterion. Controls on prices and the implementation of planning to replace price signals is another feature associated with socialist models. Here we must investigate what new price-setting mechanisms and other institutional characteristics are established for fundamental resource allocations. Are various markets allowed a role, or are they replaced by either decentralized planning mechanisms or central planning? How is the relationship between domestic prices and international prices---especially relevant in small, open, peripheral contemporary economies---managed and maintained?

Although China maintained a higher degree of decentralization in its planning structure, the experiences of both China and the Soviet Union did include centralized price-setting and the planned management of output. As FitzGerald notes, the task of coordinating mixed forms of production during transitional periods may require preservation of market-based transactions, particularly between different modes or forms of production;⁸ the minimizing of

market-based price signals in the Soviet and Chinese experiences may partly reflect the rapidly emerging dominance of the socialist mode of production.

4. External policies criterion. External economic policies, including relationships to international finance and the international division of labor, may serve to distinguish not only among varieties of socialist experiences but also between socialist experiences and state capitalist experiences; nations in the latter category, for example, generally maintain extensive connections with international capitalism. In examining external policies, we should ask: To what extent does the society "delink" itself (in the words of Diaz Alejandro)⁹ or otherwise turn inward, rather than outward, in its development strategies? To what extent will international financial assistance be sought and international trade be maintained? How will the nation choose to align itself among international blocs?

Because the character of international institutions and the functioning of the international economy in the 1980s are very different from what they were at the time of the Soviet or the Chinese revolution, these previous experiences may be less relevant for the Nicaraguan case. Indeed, the classic autarchic strategy pursued by China, first after 1949, then more completely after the break from the Soviet Union, may be impossible in Nicaragua due to both its relatively small size and the historic limitations on domestic production created by previous colonialism. Even in contemporary socialist countries, however, the questions of limiting, controlling, and taking advantage of the international division of labor remain important policy concerns.

5. Broader "role of the state" criterion. The extent of the government's involvement in internal development strategies--- including the degree of the state's power in the economy, the levels of worker self-management, and the space left for the capitalist sector (if it continues to function)---is a particularly knotty dilemma for socialist societies. In evaluating whether a society is socialist, we might ask: How extensive has the role of the state become? What specific roles does it play? What techniques, what goals, what instruments are employed? What institutions function outside the state and how do they function?

The archetypal socialist models of the Soviet Union and China are marked by a significant enhancement of the state's responsibilities for short-run macroeconomic management and long-run development, as well as by a direct state role in production itself. The preeminent role of the state in the Chinese and Soviet experiences has been criticized as bureaucratic authoritarianism by Bahro¹⁰ and as little more than state capitalism by Cleaver.¹¹ Distinguishing the socialist state and socialist development from the varieties of state capitalism found in contemporary Mexico or Brazil has also been a topic of importance to contemporary socialists. Obviously, an extensive state role is not enough to characterize a development path as socialist; we must also examine, for example, the new roles of working-class organizations as well as the various other criteria we are developing here. Nonetheless, socialism has usually been associated with expansion of state property and state power.

6. Counterrevolutionary reaction criterion. The history of the need for defense of the transition itself suggests an

additional, ironic criterion: that the degree of socialism (or at least the historical and institutional distance from the prevailing global capitalist alternative) is evidenced by the extent to which the new society needs to be defended against economic and military aggression. It follows, then, that new policies are restricted by, and economic performance is affected by, the need to defend the revolution against counterrevolution.

The October Revolution led to civil war and external aggression, both of which overshadowed the initial development of the early Soviet model. The total defeat of the Kuomintang left China relatively free of serious external military aggression in the formative years of its revolutionary regime, but international economic isolation and aggression dictated some of its early inward orientation. Virtually every Third World nation that has turned toward a more socialistic development strategy has experienced both military and economic pressures to stem or limit the transition. In evaluating a country's choices of policy and social direction, we must not only recognize the need for self-defense but also reflect on the impact of such self-defense on the possibilities for successful development. Nicaragua would seem to be no exception to this general pattern.

ADDITIONAL CRITERIA: CLASS AND DEMOCRACY

Class Orientation

In establishing the above criteria for evaluating alternative socialist modes of organization we have for the most part followed previous authors. We

have, however, excluded Jameson and Wilber's suggestion that the form in which a government took power is important in determining the socialist character of a society. Both the Soviet and the Chinese experiences did involve tumultuous revolutions and extraconstitutional processes. Nonetheless, revolutions, coups, and barracks revolts are also common modes of taking power in capitalist countries. At the same time, the electoral, nonviolent accession of Manley in Jamaica and of Allende in Chile does not disqualify those transitions as socialist; certainly the method of coming to power did little to lessen counterrevolutionary attacks against them.

That power seizure and electoral successes both produced governments we might label as socialist suggests that there is one criterion not dealt with directly by Jameson and Wilber or FitzGerald: the class criterion. From their origins in classical Marxist analysis, both the Soviet and the Chinese experiences represent revolutionary change designed to benefit the working class, the peasantry, and allied classes. The choices necessitated by a number of the criteria above---the decision, for example, to expropriate capitalist property or to involve the state in the provision of basic commodities---follow from a focus upon the needs of oppressed peoples within a distinctly class-based and class-divided society. The difference between the extraconstitutional processes of the militarily based "revolutions" in Brazil, Peru, and South Korea and those that characterized China and Cuba, for example, is that the latter revolutions sought to put previously dispossessed social groups in power. Similarly, the distinction between the state's role in socialism and its role in state capitalism in the Third World is largely linked to the groups for whom the state is acting. As shown below, the Nicaraguan experiment, despite other differences from socialist archetypes, is intended to

