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**ECONOMIC CRISIS AND TRANSITION ON THE
PERIPHERY: THE CASE OF NICARAGUA**

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1. Introduction

The central OECD economies which form the motor of the global market system appear to be emerging at last from a lengthy phase of adjustment after the end of the post-war boom, which involves new technologies and labour processes, redistribution of income and transfer of market power between countries and regions. This restructuring involves severe macroeconomic disequilibria and differentiation in living standards as the new accumulation model emerges even if it cannot be described as a 'crisis' in the classical sense (1) of a breakdown in social organization. The 'second world' is simultaneously undergoing systemic transformation of a different kind as planned economies emerge from the protracted stage of extensive and forced industrialisation of essentially agrarian societies, into a more complex phase of industrial maturity and enterprise reorganization.

For those economies on the periphery of the world market, these changes generate - through variations in prices, market demand, technological supply, interest rates and so on - real shocks which bring about a condition of financial instability and social tension frequently referred to as an 'economic crisis' in the Third World (2). Nonetheless, no clear model of accumulation seems to be emerging from this experience of externally inspired 'structural adjustment'. This problem is particularly acute where there already exist internal systemic factors leading to stagnation or breakdown in economic organization.

Societies with subordinate market economies which are attempting some sort of non-capitalist transformation to overcome just these systemic problems constitute a special case among developing countries. They are frequently exposed not only to external market shocks but also to deliberate attempts to destabilize their economies by foreign powers. In these cases weathering the storm goes beyond structural adjustment to involve the defence of sovereignty itself.

The plan of this paper is as follows. In Part 2, I discuss the main systemic characteristics of Third World transition economies which render them more or less vulnerable to exogenous shock. These include both

inherited social structures and those which appear to arise from the transition process itself on the one hand; and the forms of economic organization and international relationships that are set up, on the other. Of particular interest in the context of this Symposium is the extent to which economic organization has been modified in order to respond to exogenously generated crisis, and the way in which this in turn aids or hinders the process of transition itself.

In Parts 3 and 4 I turn to the case of the Nicaraguan economy since 1979, to examine the issues defined above. In Part 3 I discuss economic planning and policy in relation to external shock in two periods: that of 'reconstruction' (1979-83) when external market shock and planned domestic transformation were predominant themes; and that of 'survival' (1984-88) when the creation of economic crisis as part of US insurgency strategy and the response of different groups in Nicaraguan society dominate. In Part 4 I look at the problem of economic policy formation under crisis conditions and the survival strategies of different social groups.

In Part 5, by way of a conclusion, I briefly outline the current litigation between Nicaragua and the USA before the International Court of Justice at The Hague as to compensation for economic damage consequent upon US attempts to destabilize the Sandinista government. The judgement has important implications for the legal rights of small nations to preserve their sovereignty in the world economy.

The paper itself should be seen as a preliminary exploration of the theme of the Symposium as applied to a transitional economy such as Nicaragua: it does not attempt to come to any definite conclusions nor is it supposed to be a complete account of the Nicaraguan economic experience (3). The contents should be seen as part of a longer-term collaborative search for a systemic interpretation of economic and social transformation in those countries of the Third World attempting to construct socialism (4). If any conclusion is to be drawn, it might be to the effect that in the first stage of transition small economies should plan for survival rather than development.

2. Impact of and Response to Exogenous Shock in the Transitional Economy

The economic problems facing an agrarian society in the early stages of industrialisation are both complex and contentious; all the more so when it is engaged in the transition to a non-capitalist model of development (5). I assume that such a transition arises from the systemic breakdown of the previous social formation and that two strategic state goals are the restructuring of production and distribution in order to achieve popular aspirations of basic needs provision and equity on the one hand, and the desire for 'national liberation' in the sense of a less subordinate geopolitical position on the other. The widespread adoption in recent years of 'mixed economy' models of articulation between state and civil society in Third World socialism indicates a significant departure from traditionally orthodox socialist principles and practice in an attempt to come terms with the realities of heterogeneous forms of production and the complexities of socialised economic management (6). I shall argue that these three factors largely determine capacity to respond to external shock.

Such an economy could be said (7) to be 'in crisis' when:

- (a) sufficient exports cannot be generated in the medium term to pay for basic imports (ie raw materials spares and replacement equipment) for exports and basic needs, and to service existing debt (net of capital flight); in other words, where aid/loans are required for purposes other than investment;
- (b) supplies of basic needs (food, health, transportation, education, housing etc) and their distribution at levels accepted as adequate for that society cannot be maintained (and raised with population growth); leading to social and political conflict over resource allocation.
- (c) the state cannot rectify this condition rapidly because of the social conflict over how adjustment should be made, or because it lacks the resources (through 'fiscal crisis') to do so;

leading to a lack of 'relative autonomy' necessary for the required degree of intervention.

This definition begs as many questions as it answers; but the failure to reach these targets seems to be what is meant in popular discourse by 'economic crisis' (8) and is clearly distinguished in practice from poverty or underdevelopment as such.

The 'agrarian question' in the transition to socialism is far from settled, of course (9) but it is hardly contestable that there is a considerable risk of losing marketable production capacity - at least in the first few years of the transition. It is for this reason that in many cases an initial stage of 'mixed economy' is adopted in order to reduce the initial production shock and thus risk of economic crisis. Similarly, the nationalization of natural resource-based foreign firms, whatever the benefits may be in the long run, is bound to have immediately negative effects on production - particularly export capacity and the exporting channels as well as those for technically specific supplies such as spare parts. The impact of ownership changes on industry and modern services does not appear to be so great, if only because the labour process is more closely constrained technologically, even though the emigration of technicians may become a serious problem if new cadres cannot be trained rapidly enough. However, given that these activities are likely to rely on the foreign exchange generated by the primary sector, production losses in this latter will have serious multiplier effects upon the former.

The shift in the balance of domestic political power implied by social revolution implies rising expectations with respect to the standard of living of the majority of the population. In rural areas this may be met to some extent by self-provisioning (ie increased household productivity) as a consequence of agrarian reform, but in urban areas and primary sector enterprises, the pressure upon the state to satisfy basic needs requirements in terms of nutrition, housing, transport, utilities, education and health will be very strong. To the extent that these are met by central state expenditure, then this will probably lead to a permanent budgetary commitment and increased reliance on foreign exchange (or aid) to provide

these services. Both will increase the vulnerability of the economy to external shock, and imply socially difficult welfare reductions and inflationary budget deficits if export purchasing power declines.

A model of basic needs provision based on popular mobilization (10) - that is, the organization of local communities - reduces the foreign exchange commitment (by adopting a more 'appropriate technology' for primary services, construction materials and so on) and mobilizes surplus labour to replace the budgetary outlay. This model, a priori, is less vulnerable to external shock. Nonetheless, it should be borne in mind that the establishment of these 'primary' citizen entitlements inevitably generates socially effective demand for secondary provision of hospitals, high schools, electrification and so on - all of which do inevitably have considerable foreign exchange content. Despite this there is a real sense in which the new 'Department Two' of the economy can become both decentralized and import-substituting in order to make basic needs provision relatively autonomous and thus less vulnerable to external shock.

The nationalization of foreign trade, banking and key production facilities logically leads to the state becoming responsible for investment decisions as well; if only because the residual business sector is unlikely to invest on any scale and the new cooperatives and small producers are as yet in no position to do so. The long-term need to industrialize the economy in order to tackle the three strategic goals defined above (structural transformation, basic needs provision and reduced dependency) combines with the group interest of the 'state managers' in modernization as such; which generates an almost unstoppable drive towards higher state investment known as 'accumulation bias' (11). This over-investment generates a tension with basic needs provision - both in the concept of central versus local provisioning and in the allocation of resources - which eventually leads to forms of macroeconomic 'crowding out' (12) in the form of budgetary strain and labour shortages.

Lastly, but not least importantly, large new investment projects (as opposed to adaptation of existing facilities or small enterprise expansion) tend to take a long time to come on stream and have a high import commitment

in the form of spare parts etc; both of which increase external vulnerability in the short and medium term - whatever the benefits in the long run. Without going to the extreme of denying the necessity for such state industrial accumulation (13) experience indicates the need to rectify the balance between state investment and civil consumption so that if foreign exchange availability declines suddenly, all the strain is not taken by basic needs provision. It is also necessary to ensure adequate macro- and micro-economic (ie fiscal and pricing) measures to provide adequate domestic finance for investment so that reductions in foreign funds do not lead to unmanageable budget deficits.

It can easily be shown that in a planned economy under conditions of external market uncertainty there are advantages to be gained from reducing the rate of fixed investment so as to both more resources for repair and maintenance, and retain a degree of flexibility in consumption levels - in other words, keep a certain 'reserve' in hand to cope with external fluctuations (14). By the same token, uncertainty implies that benefits can be derived from planning for a higher level of exports as opposed to consumption - that is, bias towards what is effectively the 'Department One' of such economies. This is because in the event of 'overshooting' foreign exchange reserves can be converted into (imported) consumption goods, while in the opposite case, home goods cannot be easily exported.

The economy in transition is subject to the transmission effects of world macroeconomic disequilibrium upon the Third World as a whole, expressed in terms of commodity prices, interest rates, debt negotiations and market restrictions. To the extent that reliance on the international capitalist system is reduced, it might be expected that the impact of these external shocks will in fact be lessened. Central control of the balance of payments should reduce the scope for capital flight (both direct and indirect through transfer pricing etc) and permit scarce foreign exchange to be reallocated towards national priorities, even though such central control may reduce flexibility in areas such as non-traditional export initiatives. However, the extent to which adjustment is reached at the enterprise level in response to the plan will depend upon the combination of administrative measures with domestic price shifts (eg rational changes in the real

exchange rate) affecting profitability in such a way as move production decisions in the desired direction. The failure to plan relative prices (and more generally, to transform 'relations of exchange' in line with relations of production) probably accounts for much of the rigidity of transitional economies.

The common experience has been of a shift in trade - and more significantly aid - relationships towards the CMEA countries. This opens up both new possibilities and new problems. On the positive side, commodity prices are more stable, being negotiated within long-term commercial agreements, and can contain a premium over world (ie capitalist) market prices. Public investment projects receive capital aid including the transfer of appropriate technology; and emphasis is placed on the skilling of labour and the provision of adequate repair facilities. All this should permit both better planning of trade and a greater capacity for resistance to world economic fluctuations.

However, on the negative side the (often sudden) shift in trading partners can cause serious dislocations. It is only reasonable to expect a decline in international commercial bank lending (although trade credit can be secured against export commodity futures) although the continuation of official bilateral aid will depend upon political factors (15). The most obvious is the change in technology which may not only render vintage equipment virtually useless, but also be inappropriate to the local agricultural systems or regional export markets. The organizational characteristics of the CMEA, based on an integrated industrial network, central planning and a high degree of self-sufficiency, are such as to make the fluctuating requirements and production of Third World socialist economies difficult to accommodate (16).

To the extent that current reforms in the Soviet Union and Eastern Europe involve a more market-oriented and entrepreneurial approach, this inflexibility will probably be reduced in future; but by the same token, there is an increased tendency to apply 'world' prices (17) and maximise hard currency returns on items such as spare parts. In consequence, it is probably most realistic to regard the world market as a single entity

transmitting shocks from 'North' to 'South'; with long-term credit and aid being available on basically political criteria from both East and West.

Unfortunately, the transition to non-capitalist development has usually been accompanied by overt and covert attempts by world powers to destabilize the economy so as to detain this process. Current national security doctrine suggests (18) that such economic destabilization will undermine support for the proto-socialist regime at minimum diplomatic cost. Logistical support for counter-revolutionary insurgency is preferred to direct military intervention; their depredations destroy infrastructure and dislocate rural production of food and export commodities; aiming to reduce peasant support for the new regime rather than force military surrender as such. Obviously, this external shock is an extremely serious one for the transitional economy, as it both reduces supply and increases the need to commit resources (labour, food, foreign exchange and management skills) to the defense effort.

In parallel, a range of economic sanctions are usually applied in the form of pressure on multilateral financial institutions and bilateral aid partners, trade embargoes and the rupture of transport networks. These tend to exacerbate the effect of external shock, and are explicitly designed to provoke economic crisis.

This sort of external economic pressure can generate new potentials for response. On the one hand, consumption expectations can be restrained or postponed by the appeal to the defence of the revolution, while labour productivity can be raised by much the same exhortations - which can be remarkably effective as long as the external threat is manifest under wartime conditions. On the other, quasi-military organization of the state administration provides an opportunity for effective central planning; while the territorial organization of defence (eg peasant militias and cooperative settlements) can form the basis - as it has since Roman times - for subsequent agrarian modernization. However, none of this can compensate for the fact that where a superpower deliberately sets out to generate an economic crisis in a small and poor nation, it is unlikely to be wholly ineffective.

In sum, the form in which these transitional economies receive external shocks is distinct from that experienced by their non-transitional neighbours; and the capacity to respond is also different - with their own strengths and weaknesses. The extent to which such response is successful depends not only in the flexible design of planning systems - based on a small but efficient central administration combined with decentralized production and provisioning - but also on the strength of civil society itself. It is in this context, that the current 'mixed economy' reforms should be seen. They appear to be a response to both domestic systemic problems and external shock: it is probably neither useful nor feasible to attempt to distinguish between the two.

3. Economic Policy in Nicaragua: from Reconstruction to Survival

Immediately on taking power in July 1979 - and in fact for some months previously (19) - the National Reconstruction Government worked out the central logic of the economic programme that was intended to reactivate the economy after two years of civil war and lay the basis for a subsequent transition to socialism: the economic programmes for 1980 (entitled 'Economic Reactivation for the Benefit of the People') and 1981 ('Efficiency and Austerity') contain the central arguments of a mass of more detailed and strategic thinking (20). I have written elsewhere (21) at some length on the vicissitudes of the Nicaraguan economy since 1979: here space only permits a discussion those aspects of economic policy and planning relevant to the subject in hand.

The design of economic policy from the start had taken into account the problem of economic vulnerability: in part because Central America and the Third World in general were clearly going through economic crisis, and in part because hostile action from the US was a strong possibility. The 1980 Plan had three main policy lines (22). First, to reactivate production giving priority to basic needs satisfaction so as to achieve a redistribution of income from the supply side. The mobilization of the population around services such as health and education would, moreover, make these basic needs less reliant upon imports, and thus upon fluctuations

in the balance of payments. Second, to maintain strict control over the macroeconomic balances, by both controls over budgetary and credit expenditure (accompanied by fiscal reform and banking control over producers) and regulation of wages and prices. This was not only intended to maintain the monetary incomes of producers (and thus production incentives) but also to insulate the real incomes of the poor from external shock. Third, a mixed economy (see Table 1) was to be maintained in order to reduce the production loss from too rapid a transformation of the relations of production; socialization of the economy after the original sequestration of the Somoza properties to proceed by the more rapid expansion of the state and cooperative sectors through investment.

As to the external sector, the deterioration in the commodity terms of trade for exports such as sugar, coffee, bananas and meat which make up the bulk of Nicaragua's foreign exchange earnings were anticipated; as was the difficulty of access to US markets. It was planned, therefore, to diversify export and import markets as much as possible - particularly with Latin America and Europe - and to avoid replacing dependence upon one great power with another. The inherited public debt (at US \$ 1,600 millions) was already comparable in size to the GDP and it was clearly impossible to meet immediate servicing requirements, especially with the commercial banks. It was decided therefore to recognize most of this debt (to avoid a costly break with Western markets) but to negotiate a five-year grace period with interest charges above the servicable capacity to be capitalised (23). As projected exports for the reactivation period of 1980-82 would only cover two-thirds of essential imports, considerable reliance on fresh concessionary aid would be necessary in the medium term, although the long-term prospect for the balance of payments was considered by all observers - including the World Bank (24) - to be excellent given Nicaragua's natural resource base and industrial position within the Central American Common Market.

Reactivation proceeded quite well through 1982, although less rapidly than had been expected. Most of the distributive goals were met, the mixed economy seemed to keep business afloat and the rate of inflation was tolerable (25). Although the trade gap did not seem to be narrowing, this

was largely due to the terms of trade effect which accounted for 56 percent of the trade gap in 1983, and sufficient aid was available on generous terms to maintain essential imports. Trade had also been diversified, as Tables 11 and 12 demonstrate. By 1983, however, just as the consequences of the US-supported contra incursions began to be seriously felt on production and expenditure, serious strains were beginning to become apparent in the economic model itself.

Significantly, these problems were closely related to those features of the 'reactivation model' that had been designed to ensure stability. First, the emphasis on basic needs provision as a means of real income redistribution had the effect of reducing the role of wages as a means of mobilizing labour for production (particularly harvests) and raising productivity. What is more, the success of local provision of health, education, housing and food distribution created a massive popular demand for secondary support (eg. high schools, hospitals, utilities and transport) which in turn forced up the budget commitment. Second, the commitment to guaranteed prices (and profit margins) reduced the incentive for production efficiency and effectively obliged the government to subsidize exporters through a multiple exchange rate system; while the collectively negotiated production targets forced the banks to extend credit on demand rather than according to ability to repay. In consequence, the macroeconomic instruments of fiscal and financial balance became passive, and instability became systemic.

Third, and probably most seriously of all, the 'dual' concept upon which the mixed economy model was based came into question. Not because of the relationship with capitalists; but rather because of the role of small producers. In the agrarian sector, above all (26) the peasantry had become marginalized from the large state investment programme in the modern sector, had not received land (as the large state units were felt to be potentially efficient while the rural bourgeoisie were inviolate), and state marketing boards were acquiring harvests without adequate supply of rural producer inputs or consumer goods. Food supply to the towns began to decline and more alarmingly still, peasant support for the government (and by implication, resistance to the contra) began to diminish. Meanwhile, the rhythm of public

investment in the state enterprise sector - principally export crops, irrigated foodgrains, energy and transport - increased. While necessary for long run industrialization, this model of accumulation accentuated the dualism of the economy because although two-thirds of production is in the modern sector (Table 1), two thirds of employment lies outside it (Table 2). Moreover, this investment was seriously under-funded which exacerbated the financial disequilibrium (Table 4) and increased indebtedness and debt (27).

Just as a start had been made on the necessary shifts in the model - including a distributive land reform, reunification of the exchange rate and strengthening of banking controls, the definition of budgetary limits on social services provision, tax reform, recovery of the real wage and a scaling down of state accumulation plans; the extent and scale of the US effort to destabilize the economy escalated. The economy suddenly shifted from a phase of social reconstruction to one of military survival.

It is difficult to calculate the effect of war on a small, poor and open economy, but in the case of Nicaragua considerable analytical effort has gone into making as reliable an estimate as possible (28). As Table 3 indicates, serious damage was caused by contra activities in the main export zones (fishing, coffee, mining and forestry in particular) and to food production (basic grains and livestock) in mountain zones, as well as to transport facilities, health posts and so on. Indeed the objective of these activities was to undermine production and social services. The ECLA estimates that in the 1984-87 period on average the annual losses had a foreign exchange equivalence of 65 percent of exports. Without such war damage or the embargo the current account deficit in 1987 for instance, would have been 18 percent of imports rather than the 62 percent out-turn.

This impact was exacerbated by the imposition of a trade embargo by the USA in 1985, and effective pressure on the IDB and the IBRD to block loans at the board level despite their prior approval at the technical level. Over the period, estimated losses from the embargo averaged US\$ 102 millions a year, about 39 percent of exports in 1987. The total value of disbursements held up was of the order of US\$ 200 millions, equivalent to about one half of the total public investment programme for that period.

For an economy with a severe foreign exchange constraint, a dollar of such resources lost had a multiplier (or rather 'divider') effect on the rest of the economy. Using the ILPES model of the Nicaraguan economy (29) to simulate the effect of restoring the lost income indicates a multiplier of the order of 2.2, and an average GDP loss due to the war and the embargo of 37 percent in 1987 and 26 percent for the period 1980-87 as a whole. In terms of growth, the IBRD forecast (in 1981) indicated that the economy should have expanded at about 7.8 percent per annum between 1980 and 1985 and 6.8 percent between 1985 and 1990; rather than the out-turn of 1.9 percent and decline, respectively. These are, of course, only approximate estimates, but they underline the extreme vulnerability of an economy where traditionally about half of material production has been for export.

Military expenditure rose to finance the war effort, for although arms and ammunition were provided by socialist allies, local resources made up the bulk of counter-insurgency costs. Defence expenditure rose to nearly half the total budget and a quarter of GDP; forcing civil expenditure down in real terms and becoming the main cause of the inflationary budget deficit - for most of it was financed by printing money (30).

Finally, the mass diversion of manpower for the defence effort had severe disarticulating effect on the economy. Roughly a quarter of able-bodied males were mobilized in one way or another; affecting both factories and farms. What is more, nearly half the mountain peasant population were relocated or simply fled, disrupting the whole rural economy. Finally, the best technicians and administrators, doctors and engineers, were drafted into the army, leaving the civil sector without human resources.

Official government response was principally non-economic, of course: counter-insurgency campaigns, diplomatic offensives and political mobilization. On the economic front, the reduction of exports to a level below half of minimum imports prevented a recovery of trade balance while the war continued meant that continued reliance on foreign aid was the only viable strategy for survival, rather than being used for essentially developmental purposes. Aid was available for much the same reasons: to enable Nicaragua to survive US pressure (although the donors' motives for

doing this were varied) and thus credits as well as donations were granted for essentially political reasons. As Table 7 demonstrates, the level of (non-military) aid actually fell somewhat, but its origin changed markedly as the socialist share rose from 31 to 67 percent.

The use of aid also changed, moving away from new projects towards production inputs and spare parts. The consequent accumulation of debt was serious: rising from US\$ 4 billion in 1983 to over US\$ 6 billion in 1987 as Table 9 shows. In the second period debt service was sharply reduced from an average of US\$ 152 millions a year in 1980-83 (34 percent of exports) to US\$ 51 millions in 1984-87 (14 percent of exports) by simple inability to pay and the implicit consent of the creditors, with only one notable exception. In fact the commercial banks, after the original grace period ran out in 1984, permitted effective default on an annual basis - although it should be borne in mind that despite early fulfillment of service obligations, the banks did not extend new loans to Nicaragua. The exception was the World Bank, which under pressure from the White House refused to reschedule loans and indeed had not approved any new projects since 1981.

Domestic macroeconomic adjustment was also considerable in the aggregate, as Table 4 indicates. The external gap was reduced from 13 to 10 percent of GDP and the savings the domestic savings rate raised; however this was not sufficient to retain stability and in fact disguises a worsening intersectoral imbalance. The state sector savings deficit (mainly the current government deficit) rose from 5 to 8 percent of GDP under pressure from defence expenditure, while despite repeated attempts to reduce public investment (31) the state investment rate remained rather high; attributed by the authorities to project lags and the difficulty of getting aid donors to switch from capital aid to repairs, maintenance and replacement (32).

The inevitable consequence of such a combination of declining external finance and an increased state sector resource deficit, as in other poor LDCs during the present world economic crisis (33) was to force up the resource balance of the non-state sector. Needless to say, these did not represent voluntary savings, but rather forced reductions in household

consumption due to inflation affecting not only real wages but also the cash balances of small producers (34). The effect of the enormous effort to maintain minimum supply levels of basic consumer goods to the productive workforce and progressively tighter import controls meant that this consumption effect was more intense in urban than in rural areas, and upon the middle class than the poor.

Nonetheless, the effect of this inflationary pressure arising from using forced savings to pay for the war and for continued state investment, was not only to depress consumption levels, but to disarticulate the market economy (35). The combination of high retail inflation and attempts to control wholesale prices inevitably lead to parallel markets and thus the diversion of goods away from official channels: in the case of Nicaragua, away from the network of state wholesalers and private sub-contracted retailers which had been built up before 1984 as a means of reducing speculation. Labour markets became distorted as workers left the formal sector with its controlled wages for the informal sector; and it was no longer possible to maintain financial controls over state enterprises or even recuperate bank loans in real terms.

Official response to this disarticulation took two somewhat contradictory directions. On the one hand, the direction of land reform was changed radically (36) away from the dualist model of concentration on large state farms, towards the redistribution of land to the peasantry in a cooperative framework and the redefinition of the role of state farms in support of all producers in the area or branch. In the secondary and tertiary sectors, cooperatives were also encouraged (37) and the trend towards state monopolies reversed. These reforms were intended to reduce bureaucratic inefficiency and incorporate the informal sector into organized production. Unfortunately, resource constraints prevented these new and popular forms of organization receiving the necessary technical, capital and input support that they needed to initiate a new form of accumulation. On the other hand, price controls were gradually lifted, the exchange rate unified and adjusted to domestic inflation, wages systems converted from flat to piece rates, and state enterprises given more financial independence from ministries; in an attempt to raise productivity and reduce the budget

deficits. This relatively orthodox approach to macroeconomic stabilization had the effect of undermining economic planning and encouraging enterprises to misuse market power and hoard foreign exchange.

In the end, government response was to respond to the external shock of 'low intensity conflict' by military and diplomatic means; production and organization were not reorganized as a 'war economy' in terms of nationalization or rationing, while the resources for defence were extracted indirectly through inflation.

4. The Nicaraguan Response to Economic Crisis

In this section I shall attempt to look at this experience in a different way, by discussing the 'political economy' of policy formation in Nicaragua during this difficult period on the one hand and the response of different social groups on the other. It is necessarily speculative, but this is inevitable with such a difficult topic, which is not adequately covered by political or social theory, let alone analytical economics.

In the case of Nicaragua, economic policy was undoubtedly 'overdetermined', particularly in the crisis period from 1983 onwards, by non-economic aspects of national defence which in turn inevitably generated macroeconomic imbalance. This concept of 'overdetermination' (38) should be distinguished from the situation - unfortunately common in Latin America, of a state lacking the relative autonomy necessary to make consistent economic policy decisions due to social group pressures in the economic sphere itself (eg on wages, exchange rates, subsidies, or welfare) which imply ex-ante demand levels incompatible with ex-post equilibrium and must be balanced by inflation (39) or by implication, external debt.

In the case of crisis response in Nicaragua four strategic policy areas can be distinguished: military defense; international relations; domestic politics; and economic management itself. My argument is that decisions taken in the first three prevented balance in the fourth. The achievement of macroeconomic balance would have implied unattainable demand

cuts because of the extent of the war damage discussed above, and the shift of all available resources to production for exports and basic needs - as is usual in other war economies.

Military defense implied enormous budget allocations which distorted aggregate demand, and mobilization of labour which undermined supply, in order to provide both an immediate counter-insurgency capacity in the mountains and a permanent anti-invasion force on the coastal plain. International relations implied continued service on the commercial bank debt (with little or no prospect of new loans given the pressure from Washington) to maintain relations with Europe, and possibly a less controlled form of economic organization than would be normal in other countries under wartime constraints, even though these costs were to a great extent counterbalanced by increased socialist aid.

Domestic political considerations implied an attempt to maintain the consumption levels of the main social classes - workers, peasants, artisans and capitalists - in order to maintain political pluralist and a multi-class alliance against external aggression. This implied both the maintenance of the social base of the revolution through provision of basic needs (particularly health, education, public transport and subsidised food) under the post-1979 citizen entitlements and the improvement of peasant incomes through food prices and rural infrastructure on the one hand, and the guarantee of profit rates and ample credit to firms in agriculture and industry, on the other. Under the circumstances, it is hardly surprising that the macroeconomic balances showed large and alarming deficits, and that increased indebtedness and domestic inflation resulted. It was obvious to all concerned that macroeconomic instability was undermining political consensus, making the defense effort more difficult, and reducing effective state control over the economy.

Many critics - while praising the Sandinista dexterity in military, diplomatic and political areas - have pointed out (40) that less inflation would have strengthened political support among the 'popular classes', and thus that the subordination of sound economic policy to political objectives eventually had a negative effect in terms of just those objectives. These

critics do not fully explain why the deficits occurred, except to allude to 'policy errors' or to imply an 'excessive statism'. The former is either tautologically true as an ex-post description of events or demonstrably false ex-ante as a description of government intentions, as an inspection of official declarations ranging from the 1981 to the 1987 Economic Programme makes clear. The latter was undoubtedly a problem in itself, as we have seen above, but inflationary budget deficits are not an inevitable consequence of state expansion as such - as the example of Cuba makes clear - but rather of the inability to centralize a sufficient portion of the economic surplus.

This critical approach seems to miss the point. Undoubtedly if the government had been able to maintain consumption levels between 1984 and 1988, it would have been more popular among the poor and the middle classes. However, to achieve significant improvement in macroeconomic balances (which would have required a real demand reduction of the order of ten percent of GDP ex-ante) would have required the sacrifice of one of the three major strategic objectives. The political cost of debt and inflation, while high, was lower than (say) the sacrifice of links to Europe or of complete rationing and militarization of society (41). Once the military threat appeared to have receded with the disarticulation of the contras and the end of their US logistical support in 1988, the balance of priorities between the four strategic policy areas could be reassessed and new economic policy criteria be established. The 1989 budget includes sharp reductions in military expenditure and manpower as well as the gradual elimination of monetized deficit finance; although external aid financing remain highly problematic.

It could be argued that more should have been done in the 1979-83 period to prepare for survival (42) under the wartime conditions that were bound to materialize, particularly after the election of Reagan in late 1980; even after discounting the benefits of hindsight. At the time there were good reasons to believe that the only two feasible scenarios were outright US invasion or the spread of insurrection throughout Central America, if not both. Under these circumstances the main tasks were to consolidate the social basis of the revolution (eg political mobilization around basic needs provision), construct an international solidarity network

and build up the armed forces while maintaining the mixed economy to sustain production and taking advantage of as much foreign aid that was on offer. In these terms, this could be seen as a rational response to anticipated external shock. The fact that US strategy would turn out to be confined to 'low intensity conflict' (43) was not foreseen by anyone in 1979.

Nonetheless, it was clear by 1983 that the model of economic organization established in 1979 for the reconstruction period contained serious weaknesses, and that the 'mixed economy' required redefinition. In particular, the balance of state accumulation, the relationship with the peasantry, export orientation, pricing policy, basic needs entitlements, urbanization and labour organization all required a new structure (44). These redefinitions were gradually implemented after the 1984 elections, starting with the second redistributive stage of the land reform. Although this was also derived from defense considerations, it underlined the fact that a more stable and broadly based economy would provide a better basis for national defense in the sense of being less vulnerable to external shock.

The question then arises of why the adjustment took such a long time. In part it was a result of the policy overdetermination discussed above. However, it was also due to social conflict about the direction of adjustment. Some examples should make this clear. The export incentives introduced in 1985 created considerable resistance among trades unions, who were being asked to support wage constraints at the same time. The attempt to reduce food subsidies to the whole urban population and replace them by supplies to wage workers alone met with widespread resistance among the informal urban sector. The plans to sharply reduce public investment by cancelling large projects and shifting resources to small producers met with determined resistance from technocrats and enterprise managers. What is more, these conflicts were reproduced within the government apparatus (eg between the spending ministries on the one hand and the ministry of finance and the central bank on the other) and even within the FSLN itself (eg between political secretaries representing the 'territorial interest' in food subsidies and rationed distribution, and the trades union leaders,

representing the interest of production workers in commissariats) thus making rapid policy shifts all the more difficult.

As the government moved slowly on the redefinition of economic strategy, social groups began to work out their own 'survival strategies' in response to economic crisis, which in turn served to redefine the scope for state policy. The bureaucracy itself, needless to say, adopted survival mechanisms too. As is normal in such cases, each ministry or enterprise attempted to build up its 'own' resources, in terms of both non-budgetary income (eg enterprises) and foreign exchange (by establishing preferential links with aid donors), as well as retaining skilled personnel by providing non-wage incentives such as cars and housing. This gradual process helped some worthy institutions to survive external shock (eg the Ministry of Culture) but in other cases made rationalization extremely difficult, despite repeated attempts at compactacion from 1987 onwards. Socially the bureaucracy was also strengthened by the move towards decentralization of government to the regions after 1982, which was specifically designed to increase local participation and reduce the military vulnerability of Managua, but which also created a local 'proto-class' of enterprise managers, military personnel and state administrators who to a great extent occupied the vacuum left by the previous regime at the territorial level.

Nonetheless, the funcionarios are the section of the middle class most 'concientized' by the experience of war, having taken part in military and productive mobilizations and become accustomed to a new and more participative form of decision-making. This not essentially a political issue as such (45) but rather a social phenomenon in that young administrators felt entitled and able to discuss all administrative matters quite freely. Reforms were thus difficult to implement without a broad consensus through the relevant bureaucracy.

Meanwhile, the components of civil society were steadily establishing survival mechanisms independent of the state. Firstly, because the capacity of the state to underwrite their economic survival was progressively weakened by the low intensity war (which was the object of the exercise, after all); and secondly because in the aftermath of revolution itself the

social 'space' was filled up from below by new or previously repressed groups. In the case of urban popular groups, this had both positive and negative aspects. Production workers showed a surprising ingenuity in repairing decrepit plant by 'innovating' spare parts, and in substituting for imported raw materials; but in order to meet family needs were forced to engage in second shifts as artisans and often to leave the formal sector altogether.

The urban informal sector swelled as the parallel market in scarce price-controlled commodities grew, enlarged by migration from war zones, and encouraged by the collapse of organized private commerce and the opportunities for autoconstruction in city areas previously reserved for the rich. In fact, the urban poor came to rely more than before on extended family networks including not only formal and informal employment, but also small-scale production and close links to rural areas (46): in practice, this not only invalidated any dualist concept of a segmented labour market, but made wage and even rationing policies largely ineffective. The formal sector (private as well as state enterprise) soon began to suffer from serious labour shortages and increasing employee turnover. This reallocation of their labour power, rather than strikes, was the effective response of the urban poor to the progressive deterioration of the real wage and the need for family survival.

Popular response to economic crisis in rural areas also involved the 'retreat into the family'. On the one hand, war and revolution as well as economic crisis intensified the pressure by landless peasantry for access to their own farm, albeit in the form of cooperatives. Direct land invasions were infrequent (47) but passive support for the contra was not unrelated to this pressure. Once land had been distributed and marketing channels been deregulated, the social demand for inputs was manifested in the establishment by the main small farmers organization (UNAG) of its own chain of rural stores financed by European aid funds. These phenomena contrast markedly with the pre-1984 period, when the pressure had been upon the state to provide roads, electricity and so on. Rural workers were at some advantage over their urban fellows, because earnings were more directly related to productivity and they gained access to family plots - and in some

cases collective ones as well. Technological response (in repairs, substitution of imports etc) was also highly creative. Seasonal labour, particularly for coffee and cotton, was extremely tight; although this was due more to low real wages than peasantization as such.

The role of family in crisis response implies an important gender dimension (48). Quite apart from the women's movement itself and government gender policy (49) the experience of war and economic crisis has changed the role of women in a double sense. First, by their taking the places of mobilized or dead partners in production and social organization: this mainly affected rural areas. Second, by giving a greater role to family networks - generally effectively headed by women - in household reproduction: this mainly affected urban areas. It remains to be seen whether this is a permanent effect which will continue after the war when men are demobilized and food supplies improve. The local organization of basic needs provision on the one hand and experience gained in production on the other should effect a structural transformation. In terms of generational change, the participation of women at all levels of education is considerably greater than that of men, in the universities particularly, which will have a long-term impact. In the armed forces themselves, their absence from combat (a point of much criticism at the time) has implied a predominant role in skilled occupations such as communications, intelligence and administration; which in peacetime will further reinforce this educational differentiation.

The political strength of the FSLN has consisted in its capacity to incorporate these survival strategies - particularly at the local level - rather than resist them. For instance, the experience of Miskito relocation led to administrative autonomy for the Atlantic Coast and less reliance on Managua (50). Its weakness has been the failure to adjust the state itself - and central economic planning - to these mutations in civil society. As in the case of reforms elsewhere in the socialist world, it is not just a question of substituting the market for the plan, but rather of devising new forms of social organization of the economy itself (51). Indeed the new forms of popular organization since 1979 themselves created effective forms of response to crisis. Local organization made primary health prevention

(especially sanitation, inoculation, malaria control and infant care), adult education and self-help housing a reality. Cooperatives grouped small farmers and artisans and strengthened them collectively through joint credit, technical assistance and marketing facilities. The experience of local militias strengthened civil defense which reduced the worst consequences of natural disasters such as Hurrican Gilbert.

The response of private enterprise as such to economic crisis should be distinguished from that of the families of managers and professionals. Business reaction in Nicaragua was very moderate; in any case as Table 1 indicates, little more than 29 percent of production was in the hands of capitalists due to the monopoly position of the Somoza group (in state hands since 1979) and the extent of the small-scale sector. It seems that the concept of a 'mixed economy' was viable in political terms at least (52) and in fact political opposition to the FSLN has not been based on economic interest as such, while armed opposition has been peasant-based and largely orchestrated from abroad. After an initial period of capital flight, which had been initiated in 1978, capitalists settled down to maintain production - although not to invest. Given the uncertainty about future prospects, this quite explicable in strictly economic terms of rational expectations: there has been little or no private investment in Central America in the nineteeneighties.

The response of agribusiness firms was more or less to maintain production (except cotton, which was declining through Central America due to poor world prices) and to insist upon official prices (ie a dual exchange rate) that would secure profits as a markup on costs, although the lack of investment meant a gradual deterioration in yields (53). This gradual crumbling was accentuated by the second stage of agrarian reform, which unlike the previous 'dual' model (54) did not guarantee a place for large enterprise. Even though it actually increased the size of the non-state agrarian area, it did so at the expense of large farms in both the public and private sectors. Industrial firms, which were highly dependent upon the state for imported inputs and markets, maintained production levels and received profits guaranteed by markup prices; multinational companies behaved similarly to domestic firms (55). It would appear that the

experience of Cuba and Chile had been studied by both sides, although the lessons drawn by each side may well be rather different. The government saw the advantages of retaining the administrative talents of private producers in a period of extreme economic difficulty, and felt no real political threat from them in the long run. Business saw no immediate economic or political gain from withdrawal, and a long-term benefit from still being in place should the US eventually intervene.

The position of professional and administrative families was rather different: as a social group they were probably the hardest hit by economic crisis. Not only did their real incomes decline, but they had little means of reproducing their 'family assets' in terms of both household durables (car, freezer etc) and human capital (university abroad etc), while the ideological values of their children were under threat from the draft and women's liberation (56). Their reaction was an accelerating rate of emigration to Central America and the USA, at a level greater than the production of new young professionals, who in any case could not make up for the experience of their predecessors (57).

The reactions of the various social groups to economic crisis was thus extremely varied, and does as much to explain 'from below' the difficulty of coherent economic policymaking as overdetermination 'from above'.

5. Concluding Remarks: Legal Recourse or Domestic Adjustment?

The current debate on the obligation of states under international law to repay sovereign debt on schedule (58) has some bearing upon the question of economic shock transmitted through markets. Whether such world market destabilization can be properly considered unintentional is perhaps a matter of viewpoint. The aim of metropolitan macropolicy is to stabilize the domestic economy and encourage accumulation there, without regard to the world economy - coordination being within the OECD (59) at best. Nonetheless, failure to avoid repercussions on the periphery is hardly a matter of ignorance; perhaps the nearest legal equivalent would be

negligence. Indeed the Lome 'stabex' system explicitly recognizes such a metropolitan responsibility.

Even though the 'right to development' has been established in international law through UN declarations (60) there is of course no effective system of implementation through, say, the UN General Assembly. However, the system of international commercial law is gradually gaining substance due to the internationalization of business itself. Litigation is resolved through an informal yet real system of 'arbitration tribunals' centred on The Hague, where by common consent a growing body of precedent and general treaty obligations are observed. To the extent that international companies cannot rely on the law of any one country (or the capacity of any power to enforce their interests on the rest of the world) they have a growing interest in the observance by these same powers of the principles of international law. In this context it may be of some interest to note that the 1985 US trade embargo on Nicaragua did not include prohibitions on subsidiaries of US companies trading with Nicaragua - apparently due to opposition in Washington by these companies - in marked contrast to the case of Cuba two decades previously.

Meanwhile poor countries must continue to adjust domestically to external shock, relying on the adsorptive capacity of their social formations and the vagaries of financial geopolitics. The discussion in this paper on the impact of and response to such shocks in transitional economies and the analysis of the Nicaraguan case in particular does little more than illustrate the complexity of the subject. Some tentative operational conclusions of some possible relevance to other countries in similar circumstances might be as follows:

- a) economic planning should be based on the conditions for survival rather than development as the latter may undermine the former if overly ambitious programmes of capital investment or import-intensive technologies are adopted, increasing vulnerability to external shock ;

- b) export capacity and skills in foreign trade should be strengthened and managed as a national priority, ensuring that the relevant 'sub-systems' are efficient at border prices and that the labour force is as productive as possible, so as to gain flexibility in the face of changing world market conditions;
- c) the basic needs sectors should be protected and decentralized, output being based on citizen entitlement and the principle of self-provisioning with state support in the form of inputs and secondary services, so as to maximise national self-sufficiency and thus minimise vulnerability to external shock;
- d) the financial system (banks and the budget) should be a central part of the planning structure, ensuring macroeconomic equilibrium by tight control of all expenditure once basic needs targets are satisfied, controlling enterprise profitability, and maintaining balanced relationships between the state and small producers;
- e) international networks should be used not just for diplomatic and aid purposes, but also in order to gain policy-relevant knowledge of the external environment.

A general conclusion might be that response capacity depends as much upon the economic organization and autonomy of civil society as upon the state itself; and that the strength of planning is a function of its capacity to articulate these potentials.

In 1984, as military intervention was building up towards its height, the Nicaraguan government introduced a case against the USA before the International Court of Justice at The Hague (61). Despite objections from Washington (62), the Court ruled the case as admissible, and gave judgement against the USA in 1986 on four main counts: mining of ports and attacks on harbour installations; logistical support for the contras in their destruction of life and property; violation of treaties by imposing a trade

embargo; and intervention in the internal affairs of a sovereign state (63). The Court is about to decide upon the appropriate financial damages to be awarded, deriving from the Nicaraguan claim submitted in 1988 (64).

The Court ruled that the direct attacks and the support of the contra were in breach of the principles of international law; and that the US had breached its 1956 treaty obligations by imposing the 1985 trade embargo. The GATT came to similar conclusions in respect to its own regulations. These legal definitions are important additions to the sovereign rights of small nations, all the more so because the previous initiative to legislate for the 'Rights and Duties of States' in the nineteenseventies gained so little acceptance among the Great Powers.

Apart from constituting a notable legal victory as part of the response to external shock, the implications of this case for international law as a whole are considerable, therefore. On the one hand, this judgement establishes a vital precedent for the rights of small nations to choose their own model of socio-political and economic development; and on the other, for the concept of compensation for the 'developmental loss' implied by what might be called 'deliberate external shock'. The legal concept of lucrum cessans (income foregone) is central to this judgement, for compensation is due not only for the assets of one state destroyed by another, but for the additional enterprise profits lost consequent upon such damage. The Nicaraguan compensation claim (65) includes the secondary GDP reduction consequent upon the foreign exchange losses caused by military destruction, as an extended sense of lucrum cessans to measure 'developmental loss'. The acceptance of this interpretation could transform the legal redress of small nations against deliberate external shock. Meanwhile, survival planning for the transition is a matter of sovereignty before development.

NOTES

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1. There is a long tradition in historical theory which treats economic crisis in the more general sense of crucial 'breakpoints' where the organizational system of the society cannot be reproduced (ie sustained from one period to the next) because the requirements for the technical functioning of the economy are no longer met by its current administrative forms (eg property relations) and that therefore some change in the social formation takes place - a theory associated with Marx but not uncommon among other historical theorists of the period. The idea of crisis has been seen in more modern times as having an important political and ideological dimension; particularly that of the breakdown of hegemony in the work of Gramsci. These two approaches are synthesized by Habermas in his analysis of the failure of the state (or ruling class) to maintain the necessarily contradictory balance between accumulation and hegemony. Little serious work has been done to adapt these concepts - essentially developed for Western Europe - to the Third World context; but an excellent research agenda is set out by Evans (1985).
 2. Crisis theory relates mainly to internal contradictions and forces for change, rather than external ones. The 'dependency' literature stresses external domination, but does not clearly specify shock. On the contrary, the vision of a subordinate economy which is premanently dysfunctional in terms of both accumulation and distribution implies that world market shocks can result in delinking and promote peripheral industrialisation. The historiographical basis for this claim, however, has now been heavily qualified by recent research (eg Thorp, 1984).
 3. See the bibliography below, particularly Fitzgerald (1985a, 1988b, 1989).
 4. Research has only recently begun to take form on this topic, sponsored by the SSRC in the USA (see Fagen, 1986), with work at the IDS (White, 1983) and the ISS (Saith, 1984, and Fitzgerald and Wuyts, 1988). The country listings vary from one author to another, but usually contain about twenty countries. The UNRISD itself is planning to take up this theme in its research agenda.
 5. This is the central theme of Fagen (1986).
 6. See FitzGerald and Wuyts (1988) for case studies.
 7. This is my interpretation of the policy approach of Latin American structuralism (Rodriguez, 1980), strengthened by the theoretical framework of Kalecki (1976, 1985) and the technical analysis of authors such as Taylor (1983).

8. The Nicaraguan authorities have repeatedly and explicitly insisted (eg Wheelock, 1985) that their economy is not in crisis in this sense. Under wartime conditions crisis-like phenomena may well occur in aggravated form (Bukharin (1979) called this contracted reproduction - in order to contrast it with Marx' expanded reproduction, that is, accumulation) without it being reasonable to call this a 'crisis' because it does not necessarily require social change to resolve the problem - but rather cessation of hostilities. For instance, Britain in the early nineteenforties could not be said to be in 'economic crisis' in the same way that it was ten years earlier or that Mexico is in the nineteeneighties.
9. Saith (1985) contains case studies and an excellent taxonomic introduction by the editor. The process of transforming asset ownership and the organization of production and distribution will inevitably affect productivity. For instance, a redistributive land reform programme, while increasing capacity for the economic survival of individual peasant families by permitting self-provisioning, does also tend to reduce productivity in the commercialized export sector and food delivery to the towns, at least in the short run, with serious consequences in terms of the definition of economic crisis discussed above. The conversion of large private estates into state farms (or subordinate cooperatives) may preserve production capacity, but adequate labour supplies may no longer be available (at least at a wage rate compatible with world prices) if seasonal workers have other income opportunities or new off-farm welfare entitlements. Management skills may well be lost in both production and marketing, leading to even greater long-term productivity losses than the distributive model. Finally, the nationalization of traditional - albeit exploitative - food marketing channels may well grant greater state control over strategic commodities but frequently leads to the disarticulation of the peasantry from urban markets.
10. This argument is worked out somewhat more formally in FitzGerald (1985b).
11. Nuti (1981) is apparently the originator of this phrase, although he attributes the idea to Kalecki.
12. I develop this argument in FitzGerald (1988a) by combining the Kaleckian analysis of distribution and accumulation in developing countries with that of Kornai on the pressure of state accumulation on non-state sectors in socialist economies.
13. Saith (1985) calls this 'the hijacking of socialism by industrialization' but this seems to miss the point.
14. See FitzGerald (1985b) explains this in more detail.
15. Stallings (1986) contains five case studies of the external financing problems of peripheral transition.
16. Cassen (1985) has the best contemporary survey of the issues and practice; although the situation is clearly changing rapidly under the combined influence of perestroika and detente.

17. Bogalomov (1983), who is a key Gorbachev adviser, is unusually frank on this topic.
18. See Schafer (1988) and Gaddis (1982) show how 'low intensity war' and 'containment' emerged as part of the reassessment of US national security doctrine after Vietnam.
19. See the preface to Miplan (1980). I was then acting as senioreconomic advisor to the Government of Nicaragua, on loan from the Netherlands Ministry of Foreign Affairs.
20. See Ruccio (1986) for a survey of Sandinista planning efforts. The first two plans were published (Miplan 1980, 1981) and were widely debated; the annual plans for subsequent years and the perspective plan were confidential - the official reason being war conditions - but the plan for 1987 (SPP, 1987) was published, and public debate renewed.
21. See in particular FitzGerald (1989).
22. That is, the 'sectoral balance' ideas of Kalecki rather than Keynesian demand management or the radical dualism of Preobazhensky.
23. Weinert (1981) was a participant in these negotiations.
24. World Bank (1981) is unambiguous in this respect: the criticisms were comparatively minor and mainly concerned with improving the efficiency of public enterprise administration.
25. FitzGerald (1989). Taking the increase in the current account deficit between 1983 and 1987 respectively to be the 'trade gap', the table below shows the division between war losses (see Table 3), embargo costs (Government of Nicaragua, 1988) and the 'terms of trade loss'. This last is the difference between trade at current and 1978 dollar prices. The residual 'other' can be seen as attributable to policy errors etc: as can be seen, it is relatively small as an explanatory factor.

US\$ millions	1983	1987
Terms of trade	237	72
War losses	132	224
Embargo costs	-	109
Other factors	53	89
Trade Gap	422	494
Exports fob	429	281
Imports cif	819	744

26. FitzGerald (1985), Kaimowitz (1988). Utting (1987) reports preliminary results of a major study of policy formation on food security in Nicaragua.
27. FitzGerald (1989), Irvin (1983)

28. See FitzGerald (1986b) for methodology.
29. The ILPES model is reproduced in full, as are the original data in Government of Nicaragua (1988).
30. FitzGerald (1989) gives both sources and method. The original data base is a monthly reporting system by local authorities to the Presidency, using a computerized system set up with the assistance of the UN.
31. SPP (1987), Irvin and Croes (1988).
32. A notable exception to this rule was Dutch support for the health sector, which was switched to repair workshops and spare parts for all hospitals, whatever the original technology or donor.
33. The theoretical basis for the analytical framework of the 'accumulation balance' is given in FitzGerald and Vos (1989, Chapter 1).
34. FitzGerald and Vos (1989, Chapter 3) presents a general analytical model of this process.
35. See SPP (1987).
36. Kaimowitz (1988).
37. FitzGerald and Chamorro (1987).
38. Equivalent to the mathematical concept of an set of related functions with more equations than endogenous variables, which will therefore not have a determinate solution except by coincidence.
39. Rowthorn (1980).
40. See Corraggio (1986) and Vilas (1987) on Nicaragua; and Griffith-Jones (1981) more generally for transition economies.
41. FitzGerald (1987) gives the data; for a perceptive discussion of the Nicaraguan class structure, see Nuñez (1987).
42. In fact, the two-year 'honeymoon' before the first serious military attacks in late 1981 (the mining of the ports by the CIA, on which see ICJ (1986) for evidence) was well used in order to build up the militias and popular organizations, and excessive austerity at the outset - i.e. the full implementation of the stabilization measures contained in the 1981 plan (Milplan, 1981) - might have hindered that process of regime consolidation by exacerbating domestic conflict.
43. Whether it was always intended to be so, or whether it was the result of stalemate once the contra were shown to have little internal political potential and the costs of invasion became clear, is a matter for considerable debate. I would incline to the latter view although most US experts incline to the former. In passing, it is worth recording that what was termed 'low intensity war' in Washington looked rather different from Managua.

44. Most of the papers in Spalding (1986) reflect this debate.
45. Indeed in this sense the FSLN retains internally many of its military origins, inevitably reinforced by the war itself, although in national politics it is evidently able and willing to work in a pluralistic parliamentary framework.
46. Marchetti (1988) reports field studies of the way in which urban families survive national economic crisis, as well as their (negative) perceptions of government economic policy combined with support for policy towards the war, social transformation etc. This work also underlines the difficulty of characterizing a family as 'proletarian' (or otherwise) when it includes a mother in petty commerce, a father in a factory, a couple of sons in the army, a daughter working as a secretary, an aunt in the USA and an uncle producing shoes.
47. Except in areas of high population pressure on the land (which are rare in Nicaragua) such as Masaya, where land invasions did take place in 1985.
48. Molyneux (1986) is particularly cogent on the distinction between the strategic and practical interests of women.
49. Which tended to be in some conflict over tactics, although not strategy, due to the official position that under war conditions, gender issues should be subordinated to national defence.
50. Smith (1988).
51. FitzGerald and Chamorro (1987).
52. For a discussion of this proposition and some alternative views see FitzGerald (1988b).
53. Baumeister and Neira (1986).
54. Kaimowitz (1988).
55. Austin and Ickis (1986) reports on a survey of multinational affiliates in Nicaragua.
56. Many petty bourgeois wives seem to have felt far more threatened than their husbands by the Revolution. In many cases, an engineer (say) would actually feel more fulfilled by the opportunity to put his professional ideas into practice and even a farmer remained a person of standing; his wife, meanwhile missed the charms of the local social circuit, had nowhere to shop, and worst of all - was answered back by the maid!
57. The avoidance of this hemorrhage had been one of the most important pieces of economic advice from Dr Castro on his first visit to Nicaragua in 1980.

58. The industrial countries in recent years (see, for example, US Foreign Sovereignty Immunity Act, 1976) come to hold that legal sovereign immunity for the acts of states (actos jure imperii) does not cover the commercial acts of states (actos jure gestionis). In other words, enterprises have the privilege of being able to make claims against states in the courts of third countries so as to enforce fulfillment of commercial obligations. In civil (national) law it is generally accepted that the terms of repayment for debts contracted when both parties expect certain future conditions affecting repayment ability to obtain can be declared invalid if those conditions change radically. Further, if it can be shown that contract fulfillment would cause undue hardship then much the same considerations apply. Both these legal principles of commercial law would seem to be relevant to a claim by countries suffering external shock for the right to ameliorate the impact by reducing debt service payments by reference to not only hardship to their populations but also to national security.
59. See FitzGerald et al (1989) for a discussion of this problem and that of Third World debt in the context of the world accumulation balances.
60. UN (1974, 1986) and Flory (1984).
61. One of the founding UN institutions, the Court itself is the only remnant of the League of Nations. States subscribed separately by treaty to the authority of the ICJ, except under specified circumstances.
62. As to the US justification that Nicaragua was intervening in Central America (a claim which the Court did not accept as proven) it was judged that even had this been true: (a) the complaint should have first been brought to the Court (or the UN) by the neighbouring countries, which had not happened; (b) the US would have to demonstrate a tangible threat to its own national security, which it had not done; and (c) that the response should be commensurate with the damage claimed - while it was clearly far in excess.
63. ICJ (1986).
64. Which will presumably form part of an eventual settlement with the Bush administration; so as to avoid Nicaragua enforcing payment of the claim through the courts of signatory countries, as it would have the right to do and the USA in fact did over the Teheran embassy affair.
65. The Memorial (Government of Nicaragua, 1988) was prepared by distinguished international lawyers holding chairs at Harvard, Oxford and Paris - with the fascinated assistance of the present author. See FitzGerald (1986b) on the methodology for the economic damage estimates, which benefitted from the technical support of the ECLAC. For an interesting parallel in Southern Africa, see Green (1987), who estimated a loss to the front-line states of the order of 10 percent of GDP per annum.

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STATISTICAL APPENDIX

Table 1

Ownership Structure of Production, 1983
(percent contribution to GDP, by form of production)

Form/Sector	State	Capitalist	Small Producers	Total
Agro Exports	28	42	30	100
Domestic Consumption	19	15	66	100
Cattle	20	12	68	100
Industry	28	49	23	100
Other Material Production	90	5	5	100
Government	100	0	0	100
Commerce and Services	38	12	50	100
Total	40	29	31	100

Source: Baumeister and Neira (1986) p.188.

Table 2

National Workforce by Class, 1984
(thousands)

	<u>State Sector</u>	<u>Private Sector</u>		Sub- Total	Total EAP
		Formal	Informal		
Bourgeoise	-	22	-	22	22
Artisans and Peasants	-	-	258	258	258
Employees	91	41	-	41	132
Workers	102	91	-	91	193
Sub/Semi- proletarians	18	95	292	387	405
Total Classes	211	249	550	799	1010

Source: FitzGerald (1987) p.40.

Table 3

War Damage and Defence Expenditure 1980-87
(US\$ millions)

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
WAR DAMAGE*:								
Material Destruction	1	4	11	59	28	18	14	37
Production Losses	1	3	21	107	190	145	230	281
to exports	1	3	7	75	132	130	205	224
to dom. consump.	-	-	15	32	57	14	25	57
Total Damage	2	8	32	165	217	164	244	318
(Damage/Exports)	-	1%	7%	35%	50%	49%	90%	71%
DEFENCE EXPENDITURE**								
Budgetary Allocation	130	159	182	278	310	384	401	465
(Allocation/GDP)	6%	7%	8%	12%	14%	18%	19%	21%

Source: *extracted from ECLAC (1988) Notas para el estudio de America Latina y El Caribe, 1987: Nicaragua (Mexico City); Table 25, p.63. The footnote reads "This total does not include about US\$ 600 millions which, according to preliminary estimations, were caused by the trade embargo and the external credit restrictions". In the original table, a sectoral breakdown is also given, which reveals that between 1980-87, agriculture suffered 43% of total damage, forestry 28% and construction 19%.

**Calculated from ECLAC (1988) Tables 3 and 23; and ECLAC Surveys for previous years. Data refers to the Central Government budget allocation, at 1980 prices, converted to US dollars at the 1980 exchange rate.

Table 4

Sectoral Accumulation Balances, 1976-86
(% of GDP, annual average)

		1976-78	1981-83	1984-86
State Sector:	Investment	8.5	16.6	16.7
	Savings	2.6	-4.5	-8.3
	External Finance	3.3	13.4	9.7
	Resource Balance	-2.6	-7.7	-15.3

Non-State Sector:	Investment	10.7	5.0	3.4
	Savings	15.7	12.7	18.7
	External Finance	-2.4	-	-
	Resource Balance	2.6	7.7	15.3

National Economy:	Investment	19.2	21.6	20.1
	Savings	18.3	8.2	10.4
	External Finance	0.9	13.4	9.7
	Resource Balance ^a	-	-	-

Source: FitzGerald (1986) Table 8.2.

^a By definition the overall resource balance is zero for the national economy, as external finance is already included.

: Annual levels of consumption		1976-78	1981-83	1984-86
(billion <u>córdobas</u> at 1980 prices)				
State sector:	Defence	0.3	0.9	3.3
	Civil	2.3	5.0	6.1
	Sub-total	2.6	5.9	9.4
Non-state sector:	Essential	10.2	10.2	9.1
	Non-essential	10.3	3.0	2.0
	Sub-total	20.5	13.2	11.1
Total Domestic Consumption		23.1	19.1	20.5

Source: SPP (1987), updated from SPP worksheets.

Table 5

CURRENT ACCOUNT
(US\$ millions)

	1980	1981	1982	1983	TOTAL	1984	1985	1986	1987a)	TOTAL PERIOD
Goods and Services (Exports)	495	553	447	463	1958	430	338	271	307	1346
Goods and Services (Imports)	-909	-1037	-829	-925	-3700	-890	-973	-854	-843	-3560
Goods										
Merchandise exports (FOB)	451	508	406	428	1793	385	301	243	281	1210
Merchandise imports (FOB)	-803	-923	-723	-778	-3227	-768	-830	-708	-691	-2997
Services (Export) b)	44	45	41	35	165	45	37	28	26	136
Freight and Insurance	13	15	12	10	50	5	4	4	4	17
Travel and Passenger Fare	22	23	20	5	70	13	7	8	9	37
Services (Import) b)	-106	-114	-106	-147	-473	-122	-143	-146	-152	-563
Freight and Insurance	-51	-58	-49	-50	-208	-49	-86	-62	-73	-270
Travel and Passenger Fare	-31	-15	-20	-7	-73	-12	-6	-4	-5	-27
Services Balance	-62	-69	-65	-112	-308	-77	-106	-118	-126	-427
Factor Income	-90	-92	-140	-60	-383	-47	-48	-22	-16	-133
Profit (Utility)	-21		-5	-1	-27	-1	-5		-6	-33
Interest Receipts	19	28	9	7	63	5	2	1	1	9
Interest Paid	-88	-121	-144	-66	-419	-51	-45	-23	-17	-136
Transfers (Private)	12	13	8	4	37	2	2	3	10	17
Trade Balance	-414	-484	-382	-462	-1742	-460	-635	-583	-536	-2214
Balance on Current Account	-492	-564	-514	-518	-2088	-505	-681	-602	-542	-2330

Sources: Economic Commission for Latin America and the Caribbean. ECLAC: 1988.
Notas para el Estudio de America Latina y El Caribe: Nicaragua, Mexico: Naciones Unidas, p.48.

a) Preliminary figures.

b) Including other non factorial services.

Table 6

CAPITAL ACCOUNT
(US\$ millions)

	1980	1981	1982	1983	TOTAL	1984	1985	1986	1987	TOTAL	PERIOD
Balance on Capital Account	290	618	418	601	1927	598	562	674	465	2299	4226
Official Transfers	112	57	43	76	288	88	80	109	132	409	697
Long Term Capital	343	597	442	558	1940	245	440	581	471	1737	3677
Direct Investment				8	8	2				2	10
Other Investment											
Other Long Term Capital	343	597	442	550	1932	243	440	581	471	1735	3667
Official Sector	321	509	425	552	1807	280	415	619	541	1855	3662
Loans	335	566	469	580	1950	393	526	841	803	2563	4513
Amortization	-14	-57	-44	-28	-143	-113	-111	-222	-262	-708	-851
Commercial Banks	18	82	21	34	155	-33	31	-37	-69	-108	47
Loans	22	86	29	38	175	61	112	98	51	322	497
Amortization	-4	-4	-8	-4	-20	-94	-81	-135	-120	-430	-450
Other sectors	4	6	-4	-36	-30	-4	-6	-1	-1	-12	-42
Loans	9	15	17	14	55						55
Amortization	-5	-9	-21	-50	-85	-4	-6	-1	-1	-12	-97
Short Term Capital	-137	-37	-47	-7	-228	268	119	137	147	671	443
Official Sector			2	13	15	71	129	19	5	224	239
Commercial Banks						174	25	103	4	306	306
Other Sectors	-137	-37	-49	-20	-243	23	-35	15	138	141	-102
Errors and Omissions	-28	1	-20	-26	-73	-3	-77	-153	-285	-518	-591

Sources: Economic Commission for Latin America and the Caribbean, ECLAC (1988).
 Notas para el Estudio Económico de América Latina y el Caribe: Nicaragua, México: Naciones Unidas, p.48.

Table 7

NICARAGUA: STRUCTURE OF MEDIUM AND LONG-TERM
CONCESSINARY LOANS, CREDITS AND DONATIONS*
(US\$ millions)

	1981-1983	1984-1986
	\$	\$
Western Europe, Canada, & EEC		
Credits and Loans	185.6	189.7
Donations	69.4	112.2
NGO Aid	109.0	109.0
Subtotal	364.0	410.9
	18.6	23.2
Multilateral		
Credits and Loans	245.9	-
Donations	22.7	30.1
Subtotal	268.6	30.1
	13.7	1.7
Socialist		
Credits and Loans	529.1	1003.6
Donations	72.2	184.6
Subtotal	601.3	1188.2
	30.7	67.2
Others		
Credits and Loans	694.3	121.0
Donations	18.0	7.7
NGO Aid	11.0	11.0
Subtotal	723.3	139.7
	37.0	7.9
TOTALS		
CREDITS AND LOANS	1654.9	1314.3
DONATIONS	182.3	334.6
NGO AID	120.0	120.0
Grand Total	1957.2	1768.9
	100.0	100.0

Sources: Ministerio de Cooperación Externa: TNI (1987).
E.V.K. FitzGerald & R. Vos, (1988). "Problems in Financing a Revolution: Accumulation Defence and Income Distribution in Nicaragua 1979-86", Financing Economic Development: A Structuralist Approach to Monetary Policy.

*Includes multilateral, bilateral and NGO sources.

TABLE 8 (cont'd)
NICARAGUA
FOREIGN DEBT RESCHEDULING
(US\$ millions)

	1983		1984				
	Rescheduled		Rescheduled				
	Prin.	Int.	Prin.	Int.			
TOTAL	32.5	8.5	641.0 f)	229.6	120.8	6.8	357.2
1. By original maturity							
Past due	149.3		149.3	24.9	70.1		95.0
Due in current year	258.5	8.5	267.0	204.7	50.7	6.8	262.2
Due in future years	224.7		224.7				
2. By period of conversion a)							
Short to medium term	258.5	8.5	267.0	178.4	120.8	6.8	306.0
Medium to long term	374.0		374.0	51.2			51.2
3. By debtor/creditor							
Central Government	5.8		5.8	20.3	80.1		100.4
Commercial banks				20.3	80.1		100.4
Short term							
Medium and long term				20.3	80.1		100.4
Bilateral							
Multilateral (m & l)	0.8		0.8				
Suppliers (m & l)	5.0		5.0				
Central Bank	610.3	7.0	617.3	196.3	16.2	6.8	219.3
Commercial Banks				8.7			8.7
Medium long term				8.7			8.7
Bilateral	610.3	7.0	617.3 f)	177.4	15.2	6.7	199.3
Short term	258.5	6.8	265.3	168.2	2.3	1.3	171.8
Medium term	251.8	0.2	352.0	9.2	12.9	5.4	27.5
Multilateral				10.0	1.0		11.0
Short term				10.0	1.0		11.0
Suppliers				0.2		0.1	0.3
Rest of Financial System	16.4	1.5	17.9	13.0	24.5		37.5
Commercial banks				9.0	24.5		33.5
Bilateral (m & l)				4.0			4.0
Multilateral (m & l)	16.4	1.5	17.9				

Sources: Central Bank of Nicaragua; IMF Staff estimates.

Table 9

NICARAGUA: INDICADORES DEL ENDEUDAMIENTO EXTERNO

	1981	1982	1983	1984	1985	1986	1987 ^{a/}
<u>Millones de dólares</u>							
Deuda externa pública ^{b/}	2 566	3 139	3 788	4 362	4 936	5 760	6 270
Largo y mediano plazos	2 163	2 578	3 263	3 901	4 496	5 321	5 733
Corto plazo	403	561	525	461	440	439	537
Desembolsos ^{c/}	424	455	375	347	598	614	490
Servicios	192	203	103	79	68	32	25
Amortizaciones ^{d/}	71	59	40	28	23	13	12
Intereses	121	144	63	51	45	19	13
<u>Porcentajes</u>							
<u>Relaciones^{e/}</u>							
Deuda externa total/exportaciones de bienes y servicios	464.0	702.2	804.4	1 014.5	1 460.3	2 125.5	2 042.3
Servicio/exportaciones de bienes y servicios	34.7	45.4	21.8	18.4	20.0	11.8	8.1
Intereses netos ^{f/} /exportaciones de bienes y servicios	16.8	30.2	12.0	10.7	12.7	8.1	5.2
Servicios/desembolsos	45.2	44.6	27.4	22.8	11.3	5.2	5.1
Fuente: CEPAL, sobre la base de cifras del Banco Central de Nicaragua.							
a/ Cifras preliminares.							
b/ Saldos a fin de año.							
c/ De la deuda contratada a largo plazo.							
d/ Amortizaciones efectuadas de la deuda a largo plazo.							
e/ Todas las relaciones se refieren a la deuda pública externa.							
f/ Corresponden a la cifra neta del balance de pagos.							

Table 10

NICARAGUA: PRINCIPALES INDICADORES ECONOMICOS

	1981	1982	1983	1984	1985	1986	1987 ^{a/}
<u>Tasas de crecimiento</u>							
<u>Indicadores económicos de corto plazo</u>							
Producto Interno bruto	5.4	-0.8	4.6	-1.6	-4.1	-0.6	1.7
Producto Interno bruto por habitante	2.0	-4.1	1.2	-4.9	-7.4	-3.9	-1.6
Tasa de desocupación ^{b/}	16.0	19.9	18.9	20.6	20.9	22.1	25.1
Precios al consumidor							
Diciembre a diciembre	23.2	22.2	32.9	50.2	334.3	747.4	1 338.9
Variación media anual	23.9	24.8	31.1	35.4	219.5	681.6	910.7
Sueldos y salarios reales ^{c/}	1.1	-5.0	1.7	-6.9	-5.7	-30.1	-34.3
Dinero (M ₁)	28.0	22.1	66.1	81.5	179.4	253.4	643.7
Ingresos corrientes del gobierno	21.4	34.6	40.9	54.2	136.9	278.2	407.8
Gastos totales del gobierno	32.2	32.1	80.8	33.9	138.8	239.1	397.4
Déficit fiscal/gastos totales del gobierno ^{d/}	36.0	34.8	49.1	41.4	41.9	35.2	33.9
Déficit fiscal/Producto Interno bruto ^{d/}	12.4	13.6	30.0	24.8	23.3	17.6	15.4
Valor corriente de las exportaciones de bienes y servicios	11.7	-19.2	3.6	-7.1	-21.4	-19.8	13.3
Valor corriente de las importaciones de bienes y servicios	14.1	-20.0	11.6	-3.8	9.3	-12.2	-1.3
Relación de precios del intercambio de bienes y servicios	-8.4	-4.4	-4.4	28.1	-7.1	21.5	2.4
<u>Millones de dólares</u>							
<u>Sector externo</u>							
Saldo del comercio de bienes y servicios reales	-483	-382	-462	-460	-635	-583	-536
Pago neto de utilidades e intereses	-93	-140	-61	-47	-48	-22	-16
Saldo de la cuenta corriente	-563	-514	-520	-505	-681	-602	-542
Saldo de la cuenta capital	617	416	587	598	562	674	465
Variación de las reservas internacionales netas	62	-97	150	93	-119	72	-77
Deuda externa pública desembolsada ^{e/}	2 566	3 139	3 788	4 362	4 936	5 760	6 270

Fuente: CEPAL, sobre la base de cifras oficiales.

a/ Cifras preliminares.

b/ Porcentajes. Corresponde a la tasa de subutilización del empleo.

c/ Salario promedio mensual total, percibido por los afiliados al Instituto Nicaragüense de Seguridad Social y Bienestar.

d/ Porcentajes.

e/ De corto, mediano y largo plazo.

Table 11

FOREIGN TRADE BY COUNTRIES
(US\$ millions)

	1977	1980	1981	1982	1983	TOTAL 1980-83	1984	1985	1986	1987a)	TOTAL 1984-87
EXPORTS (FOB)	637	450	508	406	428	1792	385	301	243	281	1210
CACH b)	134	75	71	52	33	231	37	24	16	21	98
ALADI c)	17		11	15	9	35	7		3	2	12
Mexico	8		9	14	9	32	7		3	2	12
Venezuela	9		1			1					
Others			1	1		2					
EEC d)	181	129	99	95	111	434	113	118	122	116	469
US	145	162	131	90	77	460	47	20			67
Japan	70	13	57	45	66	181	95	60	39	27	221
Canada	3	28	26	18	6	78	11	9	10	16	46
CMEA e)	6	8	37	30	55	130	24	16	45	85	170
Others	81	35	76	61	71	243	51	54	8	14	127
IMPORTS (CIF)	762	887	999	776	819	3481	826	892	762	744	3224
CACH b)	164	301	211	117	124	753	74	57	38	34	203
ALADI c)	113	180	260	211	189	840	147	101	59	57	364
Argentina	1	3	9	3	5	20	28	32	21	9	90
Brazil	5	5	37	8	13	63	14	13	9	8	44
Mexico	15	20	120	155	160	455	80	35	15	24	154
Venezuela	87	149	87	40	5	281	5	6	9	2	22
Others	5	3	7	5	6	21	20	15	5	14	54
EEC d)	96	70	114	109	78	371	103	109	147	163	522
USA	220	244	262	147	157	810	133	67			200
Japan	77	29	28	19	19	95	24	31	19	18	92
Canada	6	11	24	13	20	68	24	10	22	7	63
CMEA e)	2	2	33	89	134	258	213	382	351	331	1277
Others	84	50	67	71	98	286	108	135	126	134	503

Sources: Economic Commission for Latin America and the Caribbean, ECLAC: 1988, 1987, 1986, 1985.
Notas para el Estudio de America Latina y el Caribe: Nicaragua, Mexico: Naciones Unidas.

- a) Preliminary figures
b) Central American Common Market
c) Association for Latin American Integration, Asociacion Latinoamericana de Integración
d) European Economic Community
e) Council for Mutual Economic Assistance

Table 12

GASTOS DEL GOBIERNO

	Composición porcentual			
	1984	1985	1986	1987 ^{a/}
<u>Total</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
<u>Area social</u>	<u>20.4</u>	<u>23.6</u>	<u>21.7</u>	<u>22.2</u>
Educación y cultura	10.5	11.0	9.1	10.4
Salud y bienestar social	7.2	9.2	11.6	10.6
Vivienda	2.6	3.4	1.0	1.2
<u>Infraestructura y producción</u>	<u>20.7</u>	<u>16.3</u>	<u>11.4</u>	<u>9.4</u>
Actividades primarias	9.3	7.8	3.4	2.5
Manufactura	0.5	0.2	0.2	0.2
Construcción y transporte	10.8	8.1	7.3	6.6
Energía	-	0.2	0.5	0.1
<u>Comercio y turismo</u>	<u>7.5</u>	<u>2.1</u>	<u>1.3</u>	<u>0.9</u>
<u>Administración general y defensa</u>	<u>44.4</u>	<u>50.6</u>	<u>62.2</u>	<u>62.1</u>
Administración general	21.2	15.0	25.1	20.8
Defensa y seguridad	23.2	35.6	37.1	41.3
<u>Otros</u>	<u>7.0</u>	<u>7.4</u>	<u>3.4</u>	<u>5.4</u>
Servicio de la deuda pública	6.3	6.4	3.4	1.3
Resto	0.7	1.0	-	4.1

	1984	1985	1986	1987 ^{a/}
<u>Relaciones^{b/} (porcentajes)</u>				
Ahorro corriente/gastos de capital	45.3	120.8	154.0	229.2
Déficit fiscal/gastos totales	41.4	41.9	35.2	33.9
Ingresos tributarios/PIB	30.7	27.8	27.7	26.6
Gastos totales/PIB	59.8	55.6	50.0	45.3
Déficit fiscal/PIB	24.8	23.3	17.6	15.4
Financiamiento interno/déficit	82.9	94.9	90.0	94.4
Financiamiento externo/déficit	17.1	5.1	10.0	5.6

Fuente: CEPAL, sobre la base de cifras del Ministerio de Finanzas y del Banco Central de Nicaragua.

^{a/} Cifras preliminares.

^{b/} Sobre la base de valores absolutos.

