

Nicaragua's Mixed Economy Project: Some Lessons for the Philippines

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Before the 1979 overthrow of Anastasio Somoza most people knew little of Nicaragua. Few knew that in the 1850s, an American, William Walker, invaded the country and declared himself president. Walker's exploits, which even gained recognition of his 'new' southern slave state from the U.S. President, signalled a new era for the small Central American Republic. Eventually Walker was defeated by a combined Central American force, but the adventure established the interventionist pattern of U.S.- Nicaraguan relations. Later, precipitated by internal political turmoil, U.S. Marines occupied the country from 1912 to 1925 to provide political stability, insuring a pro-US government to secure access to a proposed inter-oceanic canal route. (Eventually the canal was built in Panama, which the U.S. bought from Colombia.) One year later, in 1926, the U.S. Marines returned again to safeguard U.S. security interests. Before the U.S. finally withdrew their military occupation forces in 1933 the National Guard was established, headed by the first of three Somozas who ruled the country as their personal fiefdom. Few would hear of the horrors of Somocista rule in the brutal repression of any opposition.

Caring little about democracy and human rights, the Somoza dynasty plundered the economy and repressed all opposition in exchange for U.S. regional security concerns. Nicaragua was vital for the American "power projection" (much like the Philippines is considered today) in the region. Somocista Nicaragua was used as the staging area for both the CIA-sponsored coup against the democratically-elected Guatemalan President Arbenz and the failed Bay of Pigs invasion of Cuba. Characterizing U.S. policy towards Nicaragua's U.S.-created and -supported Somocista dynasty, U.S. President Roosevelt remarked with smug arrogance that "Somoza may be a son of a bitch, but he's our son of a bitch".

Renewed interest in this long-ignored nation was sparked by the 1979 overthrow of Somoza and the victory of a revolutionary bloc led by the Frente Sandinista de Liberacion Nacional (FSLN). For conservative US policy makers, Nicaragua represented a challenge to hegemony in what is still considered "America's backyard". The outright military defeat in Vietnam, and the shame of the Iran hostage crisis put renewed emphasis on confronting revolutionary governments and "turning the tide against communism", popularly referred to as the "Reagan doctrine". At stake for U.S. policy makers are American legitimacy as a world power and significant financial interests in the region. (Total U.S. investment in Central America and the Caribbean is \$23 billion with an additional \$5 billion in Mexico.) This makes the region the most important Third World region for US financial/security interests

(Burbach and Flynn 1984: 91-92). For others, nationalists, students, and revolutionaries, Nicaragua is studied and admired for its attempt at breaking out of the yoke of U.S. imperialism.

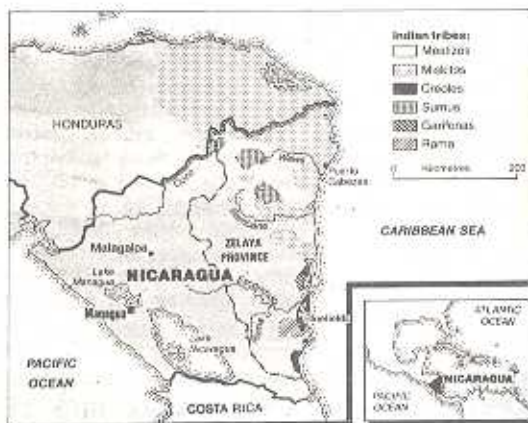
For the Sandinistas, Somocismo was not a deviant political form but the logical consequence, the product and political expression of bourgeoisie and imperialist domination. Breaking this domination was the major thrust of the Sandinista Popular Revolution. Advancing the possibility of transforming Somocista political and economic structures to ones which benefit the majority is the goal of the revolution. These goals are much like those espoused by other revolutionary movements. But the Sandinista Popular Revolution is unique in that it hopes to achieve this goal within the context of a mixed economy and political pluralism. (In elections witnessed by numerous international delegations, seven political parties won seats in the National Assembly in spite of U.S. efforts to sabotage the political process.) What worries U.S. policy makers is that Nicaragua may become an example to other nations who hope to someday slay the father image with the help of the propertied class in the context of political pluralism. It is precisely for this reason that the U.S. government is so intent on sabotaging the Sandinista Popular Revolution. These measures range from a trade embargo, to pressuring allies to isolate Nicaragua, to illegal mining of harbors by U.S. CIA operatives and the financing, training and supervision of ex-National Guardsmen who constitute the leadership of the counter-revolution based in Honduras.

Imperialist aggression has hampered Sandinista efforts to transform the backward society. There are many structural obstacles which impede the progress of the transformation. The devastation left in the wake of the Liberation War- the underdeveloped and atomized economic order, the fragmented state apparatus inherited at the time of the triumph, the fiscal disarray and bankruptcy, the dependence on external markets, inputs, technology and financing all figure among the obstacles. In short, these obstacles characterize the political, social and economic backwardness of small peripheral nations like Nicaragua.

Writing about such a young revolution which continues to be in the process of defining itself makes definitive statements on the direction and ultimate destination of the revolution impossible. The interplay between internal and external social forces, the articulation between state and civil society, vanguard and masses, church and state, indigenous minority and mestizo majority, etc., indicate the difficult and complex process of social transformation the revolution is currently undergoing.

The object of this paper is to examine the theoretical and practical basis of the mixed economy- a transition economy based on "the

logic of the majority" (to use Sandinista terms)- in confronting internal and external obstacles, the backwardness, confronted by the revolution. Second, for Filipinos, I wish to draw insights from the Sandinista Popular Revolution and compare those with the current lines of thought within the Filipino revolutionary left. The result, I hope, will not only give a better understanding of the process of transition in Nicaragua, but address legitimate questions concerning the National Democratic Front's program and the BISIG (Bukluran sa Ikaunlad ng Sosyalistang Isip at Gawa) Socialist Vision.



Peripheral nations, like the Philippines and Nicaragua, are characterized by a backwardness which is a direct result of their insertion in the international capitalist order. The immediate and medium-term task of revolutionary regimes is to break that backwardness. The current character of the Sandinista Popular Revolution is aimed primarily at developing the forces of production. That stage can best be characterized as a transition to "development" and not a transition to socialism (Vilas 1986). It will be argued that in the transition to "development" private property will have a vital role to play. As part of the revolutionary bloc, owners of private property must be convinced that mixed economy is a long-term strategic project and not merely a short-term transitional tactic. To this end, "rules of the game" must be clearly outlined in the effort to broaden the revolutionary coalition, assure stability and economic viability in the post-revolutionary period. It will also be argued that the transition to socialism is a decision which will be made by future generations. The possibility for that transition shall be insured by the institutionalization of hegemony of the popular and organized classes genuinely controlled by their members.

Mixed economy does not negate more radical options. But given the national and international contexts of these revolutions, mixed economy consolidates national unity vital for a successful anti-imperialist struggle.

Finally, it will be argued that the Filipino revolutionary movement can expect similar obstacles, both internal and external, after the triumph. The mixed economy project based on national unity may be the logical, pragmatic and ideologically compatible approach for the immediate task of overthrowing the old order and embarking on the initial transition to "development" in the face of assured U.S. imperialist aggression.

Mixed economy defined

Mixed economies are usually described as those which have both state and private ownership of the means of production. Given this definition, many countries in Western Europe and Latin America fall into this category. In order to better define what distinguishes the mixed economy project in Nicaragua one must differentiate the powers enjoyed by propertied (bourgeoisie) classes. In the Western European model propertied classes enjoy unrestricted political rights. In so doing, propertied classes have greater, if not, absolute, access to and control of the state by virtue of their control over the means of production.

In Nicaragua the mixed economy project is based on a distinct and unique logic. The goal of the strategy was to secure the cooperation of domestic and foreign propertied interests in the task of restructuring the society devastated by war. Mixed economy would combine state property with private property oriented towards overcoming economic backwardness, breaking dependency and "favoring changes in distribution of the national income in favor of the popular majority" (JRCN 1982: 9), where the propertied classes would continue to exist but are excluded from political power. In other words, capital asserts its presence in the economic field, but its interests are secondary to the majority of the population-workers and peasants. Events and the make-up of the revolutionary bloc of forces which led to the overthrow of Somoza in part determined the mixed economy program of the FSLN, but the government has remained firm in its commitment that the propertied classes have a positive and constructive role to play in reconstruction. With few historical experiences of this type of experiment, many question whether the hypothesis is valid.

In the abstract, the debate on the validity of the hypothesis can be broadly separated into two camps. Some believe that the narrow goals of capital cannot be separated from the general role of capital in society. Capitalist production is based on the exploitation of labor where profits are derived from workers producing in excess of the time it takes to produce their consumption bundle. Profits are unpaid labor and in that way capital is accumulated. Capital's control of the state and media provide institutions used to obfuscate the exploitation. When it loses control of these institutions, capi-

tal withdraws its support for the government and is either brought out of the country or is used in counterrevolutionary activities to recapture lost political clout. Therefore, the mixed economy experiment of incorporating capital without capital's hegemony over the political process is viewed as a futile effort which may endanger the revolutionary project itself.

Others argue that capital can be successfully incorporated based on its narrow economic goals as a class. During revolutionary upheavals, economies become disarticulated. Different productive forms must be assured in order to sustain the economy during the critical reconstruction and adjustment period. What is critical is for the state to control the surplus in order to establish new relations of production and rationalize investment and distribution of goods. This implies that state control over marketing and distribution may be more crucial than actual state ownership. In this view the state merely "subcontracts" the capitalists based on their superior administrative capacity (Fitzgerald in Fagen et. al. 1986: 32; also see Mandel 1962; Wheelock 1984). At the very least in the process of social transformation accumulation is concentrated in the new forms while the old forms (capitalist and petty producers) sustain simple reproduction. Thus the need to merely sustain the revolutionary process requires the active cooperation of the productive sectors of the bourgeoisie and implies, at a minimum, guaranteeing the economic reproduction of these classes (Coraggio in Fagen et. al. 1986: 144). Critics argue that the reproduction of propertied classes in the end may again threaten the revolutionary project.

Revolutionary upheavals are not isolated eruptions. Various forces, internal and external, rising from specific historical conjunctures determine the dynamic of the revolutionary process. Specific conditions shape the very trajectory of the social transformation. The particular coalition of forces determines the contents of the revolutionary agenda and the path of the revolutionary experiment. The resolution of the debate on whether capital can play its role in the economic sphere without its corresponding political power cannot be answered in the abstract. Efforts aimed at addressing the validity of the mixed economy hypothesis therefore must be anchored in a concrete analysis of the structures which perpetuate backwardness and the specific conditions of backwardness and revolution. This type of work, crucial for defining specific revolutionary programs, has been lacking in Philippine social sciences. Later we shall examine the specific case of the Philippines to draw relevant lessons from the Nicaraguan revolutionary experience. We now turn to these particularities in Nicaragua, a concrete experience of a specific historical conjuncture.

The Nicaraguan economy: pre-triumph

Like most peripheral countries, economic development in Nicaragua was centered around the export sector. The national growth rate was determined by externally dictated demand and prices, making the economy vulnerable to wild price fluctuations. As producers of "soft" raw materials, terms of trade for Nicaragua's exports vis-a-vis imported manufactured goods deteriorated. This led to increasing trade deficits and chronic balance of payments crises. The export sector did not, as theoretically projected in neo-classical literature, lead to a process of increasing industrialization but instead led to the disarticulation of various sectors with no intersectoral linkages. Agriculture's needs were not serviced by local industry. And local industry was heavily import-dependent for inputs and technology and concentrated on light-manufacturing, catering to elitist tastes for luxury goods based on the imitation of western consumption patterns. The unplanned nature of capitalism in the periphery and the role assigned in the international division of labor institutionalized an economic backwardness (i.e. poor development of the productive forces, exploitative forms of production, obsolete and inappropriate technology, etc.) characterized by underdeveloped human resources and a state apparatus with low levels of organization and planning.

Development and underdevelopment are two sides of the same coin. Capitalism necessitates the "underdevelopment" of peripheral nations. Backwardness and the disarticulation of the economic structures are simultaneously the product and base for sustaining monopoly capitalism-imperialism. The revolutionary vision aimed at defeating imperialism continues to garner interest because of the simple and decisive failure of capitalism to provide the basic necessities for the majority of people. One of those visions, the revolutionary mixed economy in Nicaragua, is the subject of the following sections.

Revolutionary mixed economy

The triumph of the Sandinista-led forces on July 19, 1979 introduced the possibility of addressing the structural obstacles responsible for underdevelopment and backwardness. The initial task of reactivating the war-torn and plundered economy called for decisive action. The current analysis which has led the revolution since the triumph postulates imperialist domination as the main contradiction facing Nicaragua. Comandante Bayardo Arce, member of the Sandinista National Directorate and vice-coordinator of the Executive Committee of the FSLN, comments:

We have defined the Sandinista Struggle as anti-imperialist, anti-oligarchic, and

anti-dictatorial. For us the fundamental enemy has been U.S. imperialism and the principal enemy the dictatorship. We have eliminated the principal enemy, but we still have not freed ourselves from the fundamental one, which is imperialist domination. To break this dependency is now the strategic task of the revolution. (Vilas 1986: 258;

With the consent of the opposition elite, properties belonging to Somoza and his cronies were confiscated. These properties



Source: Agundo

formed the bulk of the new state sector. The revolutionary government made no effort, however, to go beyond these expropriations and instituted policies to address the apprehensions of the private sector. In fact, policy initiatives were designed to guarantee respect for private property and private enterprise was encouraged to play a major role in the reactivation and development of the economy. Credit at negative rates of interest were offered to large non-Somoza private producers. Prices for export crops were guaranteed with a decent rate of return. Taxes on individuals and corporations were held down to encourage reinvestment and production (Collins 1986: 40).

Sandinista Comandante Jaime Wheelock, another member of the Sandinista National Directorate and Minister of Agriculture and Agrarian Reform explains the theory behind the concessions given to private capital. "Our main concern therefore, is to fully use the nation's productive forces. And we think that under a revolutionary power it is also possible to induce the forces of the middle class and even the bourgeoisie sector to join us" (Sandinistas Speak 1982: 119). Comandante Wheelock more explicitly defines the role of private producers in a 1981 interview.

With a backward and dependent economy, it is not as important to control all means of production as it is to control

all the surpluses. This is because, with an economy of this type, the training of the people, including technicians, is really insufficient to achieve state control over the whole production ... we must seek to put to good use the productive potential of all our citizens, including those in the private sector who have experience.

(CERES 1981: 47-51)

The assessment of the role of private capital was a direct result of perceived particularities confronting the revolution. The multi-class nature of the revolutionary bloc implied not only internal political debates but also created tensions and contradictions within it. In order to successfully confront the "fundamental enemy", imperialist aggression, the Sandinistas sought to downplay intra-national class contradictions. National unity became a central tenet of Sandinista policy. Private capital had a productive and important role to play in the reconstruction and construction of Nicaragua Libre. In the National Plan for Economic Reactivation in Benefit of the People issued in 1980, the Government of National Reconstruction declared that

It's a question of bringing together wage workers with small producers and artisans, with professionals and technicians in a single unbreakable project of National Unity. It also means integrating the patriotic businessmen and offering these businessmen the support of the government necessary to reactivate their sector of the economy, in order to achieve the goals which this plan has set for the private sector. (Economic Program of Austerity and Efficiency, MIPLAN).

One example of the Sandinistas' attitude towards the private sector is the current suit filed by the government of Nicaragua against the U.S. multinational, Standard Fruit. In 1982, after agreements had been signed, Standard Fruit unilaterally withdrew from the agreements. Nicaragua is now suing Standard Fruit for breach of contract. Other examples are the continued presence of the multinational agribusiness firms of British American Tobacco and Nestle. Some Sandinistas ironically have cited these firms as models for the Ministry of Agriculture's state farms (Collins 1986: 249). Far from discouraging foreign firms, Sandinista policy has been receptive to private sector initiatives within the goals of the San-

dinista Popular Revolution.

Another factor influencing the Sandinistas to adopt a mixed economy project was the international political context. With a preponderance of conservative governments, especially in the U.S., sweeping socialization of the means of production were seen as unwise and impractical. Sweeping nationalization would have eroded vital international support from Western European and Latin American democracies and certain progressive sectors within the U.S. It is difficult to speculate on the "value" of this support but the "high" political cost in the event of an American invasion certainly deterred some of the more invasion-happy Pentagon/CIA elements. (Some argue that the Grenada invasion was a warning directed at Nicaragua.)

Sweeping nationalization was impractical because of the condition of the inherited state apparatus. To begin with, there was little known of the concrete reality at the time of the triumph. One example was the mistaken assumption that by nationalizing Somocista property the state inherited half of the productive capacity in the country. Later, it would be discovered that the state would only control close to 25 percent of the nation's productive capacity. The fragmentation of the state into divisions of different decision-making bodies prevented clear and unified action. The low technical and administrative skills of the state placed severe limitations on state planning.

Private capital on the basis of its experience, productive capacity, superior administrative capacity was accorded a major role in the reconstruction of the economy. From these series of particularities, some conjunctural, others structural, the mixed economy was born. We now turn to the health of the infant mixed economy under imperialist attack.

"Failure" of the mixed economy project

In spite of the many advances of the revolution, which include implementation of an effective agrarian reform, unionization of workers to protect their rights, institutionalization of mass organizations as vehicles to articulate the demands of the masses, institutionalization of democratic practices such as the 1984 electoral campaign, and the increased access to education and health care, (see table 1) the economic transformation has been riddled with difficulties.

Inflation is currently estimated at several thousand percent (Kinzer, Oct. 17, 1988). The purchasing power of the national currency, the cordoba, has declined considerably and the trade imbalance has increased, precipitating a growth of Nicaragua's foreign debt from \$1.6 billion when the Sandinistas took power to over \$6 billion (Borrell, Nov. 16, 1987).

More importantly, private capital has not responded as hoped for by the revolutionary elites. Initially private capital registered its unwillingness to cooperate first in the economic

sphere: refusal to invest (see Vilas, Harris 1985), production slow-downs, decapitalization, and economic sabotage. This unwillingness to cooperate progressively moved towards disengagement from the state to open counter-revolution. In short, the mixed economy project failed. John Weeks attributes the failure to capital's reaction to a loss of political power, the conscious intervention of the US to undermine any accommodations among the groups and the particular character of the Nicaraguan propertied class. Weeks argues that historically the Nicaraguan propertied class had a tendency to look to the US for help in solving its internal problems. He concludes by underscoring the difficulty of assessing whether the inherent contradictions of the mixed economy or the historic weakness and lack of national identity of the propertied classes caused the failure of the mixed economy project. (see Weeks in Spalding, ed. 1987).

In defense of the Nicaraguan mixed economy

Critics of the mixed economy project argue that a more appropriate strategy would have been a policy of "radicalization"- large scale expropriations of private property placing control into the hands of the state. In explaining the adherence to mixed economy, the national and international political contexts Nicaragua finds itself are major considerations. Although the leadership concedes contradictions within the multi-class revolutionary alliance led by the FSLN, greater importance is given to the imperialist aggression and domination. Thus the effort to maintain national unity in the face of the principal contradiction- imperialism versus national liberation- confronting Nicaragua. Comandante Wheelock asserts:

Table 1

| SOCIAL INDICATORS | 1978 | 1984 |
|------------------------------------|---------|-----------|
| Illiteracy rate | 50% | 13% |
| % of GNP for education | 1.32 | 5.01 |
| Total Students | 501,660 | 1,127,428 |
| Adult education enrollment | none | 194,800 |
| Preschool enrollment | 9,000 | 70,000 |
| Teachers | 12,706 | 53,398 |
| Infant mortality (per 1000 births) | 121 | 74 ^ |
| Physicians | 1,309+ | 2,087 ^ |
| Clinics | 177+ | 463 ^ |
| Hospitals | 40 | 46 |
| Polio | 101* | 0 ^ |
| Measles | 1,270* | 112 ^ |
| Malaria | 18,418* | 12,907 ^ |

+ 1977 * 1979 ^ 1983

Source: Collins 1986: 267.

It is important to understand that the socialist model is a solution for contradictions that only exist in the developed capitalist countries. Now for a series of reasons, many of them political, others having to do with hunger and desperation, certain peoples have made a revolution in the worst conditions of social development This is our case. Even though we have socialist principles, we cannot effect the transformation of our society by socializing all the means of production. This would not lead to socialism, on the contrary, it would lead to the destruction and disarticulation of our society. (Wheelock 1983: 101)

Nicaragua, like many other revolutionary upheavals in the periphery, must first successfully defend its struggle for national liberation before embarking on the road to the transition to socialism. The mixed economy project, forging multi-class national unity, became the political and economic necessity for the defense of the revolutionary project. The revolutionary mixed economy project based on national unity is unique because it has no blueprint. The uncharted territory which the Sandinista Popular Revolution entered was not a static arena. We now turn to the dynamic process of the national liberation struggle.

Projected path of transition

For small peripheral nations, agriculture represents not only the source of food for domestic consumption but also the source of its hard-currency earning capacity. In the initial years of the revolution, a certain tendency within the Sandinista Front, led by Comandante Wheelock, believed that the historic force of progress was a "proletarianized" labor force. Individual ownership was seen as a step in the wrong direction, which would lead not to workers' self-management but to individualist consciousness. In addition, agricultural modernization was seen as synonymous to large-scale and intensive use of modern technology (Bastiaensen 1988: 13). The first years of the agrarian reform reflect this tendency as confiscated Somocista lands became state farms. These farms were viewed as critical "poles of development" fueling the development of the forces of production in the countryside. Large private farms were encouraged to operate provided the land was farmed productively and efficiently.

This policy, however, would be changed by two factors. First, the U.S.-directed and -financed counterrevolutionaries (contras) were successfully eroding support for the San-

dinistas and creating tensions within the multi-class alliance. Contra radios in Honduras transmitted messages that "[t]he Sandinistas are going to take away your land. They're communists and they want to make the state the owner of everything." (Collins 1986: 151). The Sandinistas themselves had underestimated the peasants' desire for land. Before the triumph, the Sandinista slogan was, "Land to whoever works it." In the aftermath of the triumph, peasant land takeovers, both spontaneous and organized, created tensions within the multi-class alliance. As one confused peasant confessed: "I don't understand it at all. One minute seizing the land is revolutionary and then they tell you it is counterrevolutionary." (Collins 1986: 80).

Second, critical appraisal, debate and pressure from mass organizations shifted Sandinista policy from not only state farms but also emphasized cooperative forms of organization. Resources, material and human, were directed in support of the cooperative movement in the hope that unorganized peasants would see the benefits of organizing (housing, health care, education, inputs, marketing etc.) into cooperatives. According to Fitzgerald, "[t]he strategic concept for the long run was that of the absorption of capitalist agriculture into state farms and of small peasant farms into cooperatives" (Fitzgerald 1985: 213).

By 1985 this policy was again rigorously evaluated in light of eroding peasant support. The political struggle which ensued was essentially over the general direction of the agrarian reform policy. Policy makers with the help of mass organizations reached the conclusion that many peasants were excluded from the agrarian reform program simply because they did not want to farm collectively. In essence, the revolutionary state, in its effort to establish new relations of production in the reform sector (state and cooperative) ignored the non-reform sector (traditional peasants).

In fact, resentment created by the special treatment which cooperatives got, played directly into the hands of the contras (see Faustino 1988). The policy reorientation was a recognition of the dynamic nature of national alliances. The national unity project initially based on the worker-peasant alliance was shifting to a peasant-petty bourgeoisie alliance (Deere et al: 88). The new-found power of the peasant-petty bourgeois alliance challenged the capital and technology-intensive modernization model centered around state enterprises and cooperatives. The policy reorientation can be seen as an "an attempt to formulate a compromise between the peasants demand for land and the project of modernisation" (Bastiaensen 1988: 2). The process of handing over titles to individual peasant farmers moved rapidly. By the start of 1986, 60 percent of the nation's peasants had received land titles covering almost one-third of the nation's farmland (Collins 1986: 247).



Source: Aguado

In the face of bourgeois intransigence and the U.S.' contra war, most expected the state to expand direct state participation in production. In reality, the revolutionary state reduced direct participation in production and expanded and reinforced private property (see Table 2).

Given the arguments raised above, the question remains: Since the nature of Nicaraguan mixed economy is one characterized by the unwillingness of large private producers to cooperate, why have the Sandinistas reinforced and expanded private property?

Hegemony

The radical transformation of Nicaraguan political-social and economic structures is premised not on the outright ownership of the means of production, but on the institutionalization of hegemony of the majority over the minority (the opposite of the pre-revolutionary era). Years before the triumph, national unity under the hegemony of the revolutionary vanguard and the organized popular classes was already incorporated into the Sandinista struggle. In a 1970 text, Carlos Fonseca, founder of the FSLN and Supreme Commander of the Revolution wrote

We are conscious that socialism is the only perspective that people have to achieve a profound change in their living conditions. This does not suggest that we will exclude persons that do not think as we do, and although we think the fundamental guide must be the principles of scientific socialism, we are disposed to march alongside people with the most diverse beliefs, who are interested in the overthrow of the tyranny and the liberation of our country. (Fonseca 1981 quoted from Vilas 1986: 145)

The hegemonic position of the FSLN is considered on two distinct but interrelated planes. First, the strengthening of the labor movement, the institutionalization of mass organizations, the empowering of women, the spread of popular education, and the economic democracy engendered in the agrarian reform ensure the hegemony of the revolutionary project. The institutionalization of popular power creates permanent mass mobilization pressuring for the revolutionary program. These mass organizations constrain the state to adhere to policies in the interest of the majority. With hegemony, the organized popular classes maintain the possibility of the transition to socialism.

This "conservative" Sandinista policy has not invalidated the economic radicalism some have called for. But because of the specific conditions which toppled the dictator, a more radical program would require a change in alliances which confront the imperialist aggression, lead to a reduction of the international markets thereby affecting the working class (one of the main actors in the revolutionary process) and have other social and political costs. (See Petras for radicalism.)

The second premise is the hegemony in the economic sphere. As Comandante Wheelock points out

the hegemony of the economic development process is in the new relations of production created by the revolution. It is a hegemony achieved with the nationalization of foreign commerce, of natural resources and of strategic industrial sectors, and with the nationalization of the banks. With these measures we have created a system of production and of management which predominates, which is hegemonic, which coexists with other forms one could call capitalist to an appreciable degree and with others that are backward or precapitalist . . . Our tendency is that state and cooperative properties will be hegemonic, coexisting with medium and small, and even large, private production, in which the backward relations of capitalism will surely become secondary, subordinated (Wheelock 1983: 102).

From this position of hegemony, the FSLN faced an economic imbalance drastically constrained by imperialist aggression, the Somoza legacy, and, by their own admission, errors in economic planning (see Borge interview in Diliman Review 1988) which, by 1985, had reached unbearable levels. The economic emergency plan introduced in 1985, which in-

Table 2

| Evolution of Rural Ownership in Nicaragua (1978 - 1986) in % | | | | |
|---|------|------|------|------|
| | 1978 | 1982 | 1984 | 1986 |
| Private Sector | 100 | 75 | 74 | 77 |
| > 350 ha | 41 | 14 | 13 | |
| 140-350 ha | 14 | 13 | 13 | (17) |
| 35-140 ha | 30 | 31 | 31 | |
| 7-35 ha | 13 | 12 | 12 | (60) |
| < 7ha | 2 | 5 | 5 | |
| C.A.S. | -- | 2 | 7 | 10 |
| State | -- | 23 | 19 | 13 |
| TOTAL | 100 | 100 | 100 | 100 |
| C.C.S. | (-) | (10) | (10) | n.a. |

Source: Bastiaensen, 1988.

cludes fiscal measures such as a hiring freeze in central administrations of the state and reduction in the number of positions; a reduction, in real terms, of the operational budget of state institutions; and most importantly, a halt in aggressive investment spending signal Sandinista admission of "economic mismanagement". Instead, investment spending will be concentrated on projects which will produce goods and services in the short-term and on medium-term projects due to be completed soon (Pizarro in Spalding 1987: 227).

It is not clear what the future course of the Sandinista Popular Revolution will be. What is evident is the openness and ability of the Sandinista leadership to admit mistakes and pragmatically redirect their economic policies based on their commitment in general terms to the principles of national unity and a mixed economy within the framework of a democratic, popular and anti-imperialist system. Imperialist aggression, backwardness, and dependency, characteristics faced by all national liberation movements, dictate that for a period, which may be quite long, these economies in the process of restructuring and transition may not be viable on their own. International solidarity from friendly nations has been vital for the defense of the revolution. A hegemonic position of the popular classes within the framework of a mixed economy based on national unity, may not, in the short-run, be a viable project, but it preserves the revolutionary agenda for the possible transition.

Lessons for the Philippines

The previous examination of Nicaragua is useful not only in order to understand the revolutionary processes in Central America, but also, for Filipinos, to get insights into the difficulties and possibilities of the transition to an economy which benefits the majority of people. We now turn to an examination of the obstacles which we assume will be confronted in the path of transition. The NDF program will be referred to most of the time, as it is the most elaborated piece of the revolutionary left. Later we will address the concerns of the BISIG (Bukluran sa Ikaunlad ng Sosyalistang Isip at Gawa), the Socialist Vision, and compare those with the programs of NDF.

The inherent difficulty in projecting the future is the inability to predict the coalition of forces which will precipitate the overthrow of the old order and participate in the difficult process of negotiating the new political and economic order. As in the case of Nicaragua, that post-triumph coalition was intimately linked to the pre-triumph strategy. In order to make some general assessment of the validity of the NDF program, the following sections will address some particularities in which the revolutionary program must take into consideration. But first, we outline the general characteristics of peripheral nations, like the Philippines.

Because of imperialist domination and paranoia, we can assume imperialist aggression as a constant. In the event of a revolutionary triumph, the U.S. will exert tremendous pressure in turning back the tide by whatever means, covert or overt, violent and nonviolent, legal or illegal, to sabotage the revolutionary process. The U.S. will reduce official government-to-government bilateral aid, increase aid through private institutions to bolster the weakened position of the propertied classes, and curtail the new government's access to multi-lateral institutions, such as the World Bank, International Monetary Fund, the Asian Development Bank, etc. Other traditional allies of the Philippines will also be pressured not to do business with the new revolutionary government. At best, the new government can expect an economic blockade. At worst, the U.S. will, as it did in Nicaragua, organize, fund and train the various forces of the deposed government in its effort to overthrow the new regime.

Depending on how long the final insurrection takes, massive capital flight both from within the government, and in the private sector would likely take place. The case of Nicaragua is indicative as the Sandinistas were left with only two days' worth of imports in the government coffers. The rest had been splintered away in the hasty departure of the Somocistas.

The productive structures of the country will certainly be affected, displaced and dis-

rupted. It is difficult to predict the extent of damage the war of Liberation will inflict on the productive structures of the nation. What is certain is that the structural obstacles to recovery and development will be there. These structural obstacles will be similar to those found in Nicaragua.

One obstacle is a production process dependent on foreign inputs and foreign technology. This has two important implications. First, for these dependent economies, autarky is not an option. Some advocates on the left have put forward autarchical scenarios of development following a strict dependency line. The results in Jamaica have, however, not proved promising in the so-called de-linking. Peripheral nations will, for the foreseeable fu-

ture, continue to function in the arena of a capitalist world system. Second, the importance of the dependence points to the primacy of the export sector. Being so dependent on imported goods, the revolutionary government will require massive funds, not only for the rebuilding of damaged structures but for inputs needed to generate hard currency to continue production. We can hardly expect generous help from other nations, namely socialist ones, as those economies are also going through their own restructuring which require massive funds. Special relationships, such as Cuba and the Soviet Union, are highly unlikely and prove exceptions to the rule. Witness the reluctance of the Soviets to get deeply involved economically with the Sandinista government. The



Source: *International Viewpoint*

Philippines, like Nicaragua, will continue, in the short- and medium-term, to depend on exports, traditional and non-traditional, for their hard currency requirements. To address this "forced dependency" the NDF states that "our economy, as presently constituted, will still have to rely on the international market" (Liberation, Aug. '84: 16). The NDF also proposes to broaden the country's international trade which "could generate greater stability in our import and export trade" (Ibid. p. 16).

Another related obstacle is the disarticulated sectors of the economy. The distortion of capitalist development in the periphery creates this disarticulation which relegated the Philippines to the status of agro-export and export-oriented light-manufacturing based on imported capital and intermediate goods and our highly-touted "comparative advantage"-cheap labor.

The inherited state structures and their low level of organization and planning present yet another structural obstacle which will have to be confronted.

Mixed economy

The transition is a difficult, complex, and at times, contradictory process. Sweeping socialization is impractical. The low level of development of the productive forces and the general context, national and international, make immediate socialization of the means of production unwise. In addition, the inherited state apparatus, established along sectoral lines like most of Latin America, makes comprehensive coordinated planning sheer fantasy. Sweeping nationalization is not possible in the early stages of the transition based on both the low administrative capacity of the state apparatus and conversely the superior administrative capacity of the private sector. The BISIG Vision refers to a "stage of national reconstruction" which will attempt to "strike a viable balance between nationalization and private property". The NDF believes in a national democratic stage to fully develop the forces of production. In more explicit terms the NDF clarifies that

the new democratic republic shall protect and encourage all appropriate forms of private property. The State shall protect and promote private ownership of both the means of production that do not dominate the livelihood of the people and the means of consumption that do not restrict the growth of the forces of production." (Liberation, M 84: 3)

One can argue, therefore, that there is much similarity between the two programs. Both agree that private property will be necessary during the "stage of social reconstruction" or "national democratic phase". Without explicit statements the two agree on a revolutionary mixed economy project.

What is needed now is to move forward out of the debate and begin to outline the specifics which will determine the character of the transitional mixed economy. In that sense the NDF has done much more extensive work than BISIG.

The value of the Sandinista experience throughout the eight years of revolution should be appreciated and applied to the concrete realities here in the Philippines. Most agree then that a mixed economy is the solution for the difficult post-triumph period. But on what foundations will the mixed economy be based? One of the most important lessons which has come out of the Sandinista Popular Revolution has been the dismal performance of the propertied classes. The propertied classes have not responded as hoped for in the construction of the new revolutionary order. It is instructive to look at the perspective of the propertied class to understand their reluctance. In a 1982 confidential discussion paper, the World Bank (we assume the Bank advocates the perceptions of the transnational bourgeoisie who constitute a major portion of private property in the Philippines today; for a well-researched work on transnational bourgeoisie, see Broad, 1988) reported that

The recovery of industrial production has been hampered by the reluctance of the private sector to expand production and to invest in the absence of sufficient guarantees. (IBRD Country Program Paper, Nicaragua 1982 quoted in Harris, Vilas 1985: 52).

The same report continues and blames the situation on the revolutionary government's failure to "set clear and consistent rules of the game". Most significantly, the Sandinistas are accused of failing to provide "an effective system of guarantees and long-term incentives". This final point is critical for the Philippines. If the revolutionary government here expects to obtain the support and active participation of the bourgeoisie in the economic arena then it must, at the very least, give these guarantees and long-term incentives. In essence, private producers must be convinced that the mixed economy project is not merely a transitional short-term tactic but a genuine strategic project. If they are convinced of that, then there is a greater chance of their active and constructive participation as

part of the coalition of forces in the reconstruction and the transition to "development".

The BISIG program argues that concealing the socialist perspective is opportunistic and undermines any real basis for unity. This strategy, if it hopes to follow a mixed economy project, will not rest the fears of the propertied classes and will precipitate their withdrawal in the productive arena. The end result will probably be the basis of the counter-revolutionary constituency of U.S. imperialism.

Because of the inability and limitations of the state to participate directly in production, private property will be vital during the transition. In Nicaragua, the World Bank pointed out that

[g]iven its predominant participation in the productive process, the private sector will largely determine the pace and extent of economic recovery through its investment decisions." (Ibid., p. 52)

Since we can expect the same situation which confronts Nicaragua, the NDF has attempted to give concessions to private property. This may be seen as pragmatic and opportunistic. Certainly from a purely ideological perspective the concessionary approach can be seen as that. But the perspective of concessions does not mean to refute the argument of Lenin that in a revolutionary situation "politics cannot have but supremacy over the economy" (Lenin 1960: 527). But the argument put forward is that the economy must, at the very least, produce to insure its most elemental reproduction. Economic interests of different sectors of society are not incidental which can be rectified with enough political re-education. In essence, revolutionary economic policy must address these economic interests. Economic performance provides the meaning of the revolution to the masses. Considering the social, political and economic backwardness that the revolution expects to confront, concessions must be given to those who have the entrepreneurial and managerial skills.

Critics argue that giving concessions to private capital will sell out the revolution. But there is a critical ingredient which assures the revolutionary agenda. The articulation of different forms of production, including private capital, is compatible with the process of social transformation because of the hegemony enjoyed by the revolutionary state and organized popular classes. The militant genuine labor unions, the organized peasant sector, women's groups, urban poor representatives, etc., genuinely controlled by their members ensure permanent mass mobilizations which will pressure for adherence to the program based on the "logic of the majority".

The transition to socialism is, at best, a long-term proposition. The BISIG Vision in

reality is the general proposal of what socialism in the Philippines should look like, but is lacking in its definition of how to get to that socialist stage. The NDF program, too, recognizes that it "may require a generation or two before the economy will have the potential, i.e., the productive forces, to go it alone." (Liberation, A 84: 16) In the short- and medium-terms, the program recognizes the forces of the propertied classes and gives them incentives and guarantees. Part of those guarantees is, perhaps, the shelving of the socialist perspective. When the backwardness is overcome, the socialist transition may be considered. The decision for the future transition to socialism is one that will be made by future generations. The current stage of the revolutionary effort is how to efficiently confront imperialist aggression and to make the transition to development. That transition to development will be directed by the State under hegemony of the popular classes. It is this hegemony which, at the very least, preserves the possibility of the future transition to socialism. Having defined the general conditions of the mixed economy project in the Philippines, we now turn to one specific point of contention between the NDF program and the BISIG Vision, agrarian reform.

Land reform

Because the BISIG program is so sketchy, it provides only broad socialist outlines with very little substantive matter on specifics of the transition. The BISIG Vision argues that

[r]ather than [the NDF's] "land to the tiller" policy which contradicts the socialist principle of public ownership of the means of social production ... the thrust must be towards setting up appropriate forms of peasants' and rural workers cooperatives based on the nature of cooperative production (Socialist Vision 1987: 11).

The BISIG approach, however, is very problematic. In a pre-revolutionary situation, to organize people based on working cooperatively is at best a difficult task. One can safely assume that only the most politicized peasants will respond to the call for cooperative work. For the rest of the peasantry, the call will be fairly foreign. For hundreds of years, the peasant has dreamed of owning the land he works. The creation of cooperative consciousness, which requires efforts to actually change the very nature of the peasant, is a long-term goal.

Other problems with the anti-land to the tiller program are the political and economic consequences. Politically, as seen in the case of Nicaragua, the cooperative thrust played



Source: Aguado

directly into the hands of the counter-revolution. The peasant sector gained in economic importance and tension grew in the revolutionary alliance over the direction of Sandinista agrarian policy in the years during the cooperative thrust. The Sandinistas quickly moved to rectify the situation. The Sandinistas discovered that peasants who directly own the land are willing to defend themselves as they have a tangible stake. Peasants awarded lands have become staunch supporters of the revolution. As one peasant put it, "[w]hy should I support the contras [counter-revolutionaries] when the Sandinistas have given me what I want, the land."

Economically, the cooperatives have not proven to be viable in the short-run. They require tremendous human and material resources. In the aftermath of a revolutionary upheaval, scarce resources must be channeled into sectors which, at the very least, maintain production. The dynamic of the Sandinista agrarian policy signals the need to consider the strategic importance of the non-reform sector (traditional peasants). With scarce resources aimed at the cooperatives, agrarian reform technicians estimate that cooperatives become viable enterprises, on the average, in five years.

The experience of organizing peasants into cooperatives has been less than encouraging (Fitzgerald :1985). Significantly, the best working cooperatives were located in the heavy-conflict war zones. This was attributed to the presence of a tangible enemy which enhanced the general sentiment of "unite or perish". Looking at their experiences, it seems that the call for socialist ownership of the means of production may actually narrow the possible base of support and consume scarce resources which may have political and economic consequences in the post-revolutionary period.

Conclusion

The short-term results of Sandinista policies have not invalidated the economic radicalism that some have called for. The mixed economy project based on national unity has not produced what the Sandinistas have hoped for. "Conservative" policy has,

however, successfully defended the Sandinista Popular Revolution in the face of virulent imperialist aggression.

What is clear from the previous discussion is that private property will have a vital role to play in the critical transition period. First, the state will not have the administrative and technical capacity to assume direct control over the productive process. Second, the need to rearticulate the economy into the world economy, because of the dependence on imported inputs, technology, financing and markets, dictate a certain leniency towards the propertied classes. And finally, it may be possible, as in the case of Nicaragua, to effectively displace the agrarian-based bourgeoisie without extensive land expropriations. Control of inputs, credit, and others, may be more crucial in establishing new relations of production and maintaining output. Radical socialization would not only have domestic political and economic effects, but also create an environment which would make it easier to isolate the new government and to justify a U.S-sponsored counter-revolution or direct invasion. With those conditions imposed on the revolution, private property must be given "clear rules" for the successful transition to development. Hegemony of the popular classes, as in Nicaragua, ensures the possible transition to socialism. Specific work should be done on the initial transition to development. From different revolutionary experiences, although these have specific circumstances and alliances, general lessons on the transition may be drawn, which can be incorporated into revolutionary programs based on national unity and hegemony of all popular sectors.

Since the 1979 Sandinista triumph, many people have heard of the historical domination suffered by Nicaragua. Under continued imperialist aggression, the revolutionary process persists in finding ways to transform relations of production, provide stable and secure food supplies, and generate hard-currency export commodities. The strategic project continues to be aimed at overcoming the external and internal obstacles to development. For Filipinos, our responsibility is to continue to learn from Nicaragua and other nations in transition. Like Nicaragua then, someday, the Philippines will be placed on the map.

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