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**“WE ARE NOT PROFITABLE”
NEOLIBERALISM AND THE PEASANT SECTOR IN NICARAGUA
by
Jessie Rain Anne Smith, B.A.**

A thesis submitted to
the Faculty of Graduate Studies and Research
in partial fulfilment of
the requirements for the degree of

Master of Arts

The Institute of Political Economy

Carleton University
Ottawa, Ontario
August 14, 1997

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and Research acceptance of the thesis

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submitted by Jessie Smith, B.A.
in partial fulfilment of the requirements for
the degree of Master of Arts

Thesis Supervisor

Director, Institute of Political Economy

Carleton University
September 17, 1997

ABSTRACT

Neoliberal policies suggest that economic liberalization will allow prices to rise, thus inducing a supply response from producers. This research suggests that in Nicaragua, price incentives have been undermined by other changes that have taken place in the country. For the majority of the 110 peasant families interviewed, production has not increased since neoliberal reforms began in 1990. Increased costs for health care, education and productive inputs, coupled with decreases in access to credit, paid employment and the benefits of commercialization, have all contributed to these poor production levels. Because of the importance of the peasant sector to agricultural production, a strong supply response requires that their concerns be addressed. If not, their productive capacity will likely continue to diminish.

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I would like to thank my mother and father for all of their encouragement over the years. I feel fortunate to have them as parents. I would also like to thank my extended family, both blood relatives and those of the heart, for providing me with such a strong support network.

Both of my advisors, Professor Laura Macdonald and Professor Manfred Bienefeld, deserve my gratitude for having such keen eyes, and for spending many hours on my thesis. I especially appreciate the much needed emotional encouragement that Professor Macdonald provided, and the editing beyond the call of duty that Professor Bienefeld undertook. This thesis would not have been possible without help (and SSHRC grant) of Professor John Brohman of the Department of Geography, Simon Fraser University, so *mil gracias* to him as well. I would also like to thank UNAG for their generous support, especially Jaime Pederson my research assistant, and Alain Pederson for driving so well on the difficult roads.

Though it is normal to offer ones partner special thanks, in this instance Marc Lee deserves extraordinary praise. Not only did he provide exceptional editorial and emotional support, but due to the serious back injury that I suffered at the beginning of the writing process, for several months he undertook all of the “household tasks”, including such things as tying my shoelaces! So thanks *again* Marc. I’ll make it up to you somehow.

I would like to dedicate this thesis to all of the peasants in Matagalpa who shared their stories with me. ¡Qué haya producción en el campo!

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PREFACE

While I was in Nicaragua conducting the research for this thesis, I emailed my proposal to my fellow grad students. I know you are supposed to complete the proposal *before* working in the field, but I had the (funded) opportunity to go, so I went. I heard that their discussion concerning my proposal was quite interesting: while most were supportive, one classmate adamantly disagreed with the underlying goal of my thesis. My proposal stated that: "Peasants are not ignorant subjects, they have agency, and they can offer us clear examples of the effects of Structural Adjustment Policies (SAPs) in their communities, as well as original insights into the outcome of such policies". My sceptical colleague felt (I was told) that peasants lack the understanding of "demand elasticity" etc. to fully comprehend the rationale behind economic liberalization. It is exactly this (rather common) notion that I seek to confront in this thesis. Though it is true that peasants generally do not have a profound understanding of the complexities of economics, many have a rather lucid understanding of what is happening to the peasant sector since the implementation of structural adjustment -- even if they do not use that terminology. Unfortunately this local knowledge is often left out of the analysis at the policy making level.

I believe that this thesis fulfils its goal of giving peasants a voice: listen, they have something valid to add to the debate surrounding policies that are having a profound effect on their lives.

Chapter One

INTRODUCTION

Nicaraguans have been living in a crisis situation for some time now. In the past twenty-five years alone they have endured an earthquake that devastated the capital city, the war of insurrection, the last years of the Somoza dictatorship, the debt crisis, and the U.S. backed Contra war and economic blockade. The latest addition to this list is the package of neoliberal economic policies -- cuts to social services, trade liberalization, deregulation, and other laissez-faire policies -- that have been wreaking havoc on the lives of the people of Nicaragua.

In 1990 Nicaraguan society was faced with a triple transition. The country went from war to peace, from the Sandinista government to the Chamorro government, and from a (predominantly) planned economy to a market economy (Vivian, 1995:64). All Nicaraguans rejoiced at the ending of the war. Though it was clear that the economy needed to be revitalized - - adjusted -- there was (and still is) much controversy over whether the neoliberal policies that the Chamorro government embraced were appropriate for Nicaragua.

In this thesis I argue that, for the most part, the neoliberal approach has produced disappointing results in Nicaragua. This is not to say that liberalizing strategies are ineffective in all circumstances. Mosley *et al* (1991:304) note this distinction: "the point is that structural adjustment policies of the (World) Bank's chosen variety constitute in very poor countries a gratuitous obstruction, just as in the NICs (Newly Industrialized Countries) they constitute a welcome acceleration, of the policy evolution above described". Though the World Bank and the International Monetary Fund (IMF) strongly promote these policies in Nicaragua and elsewhere, the World Bank (1988:17) itself admits that improvements are more likely to be found in middle

income countries that have a manufacturing base, and that results are weaker in highly indebted countries. Contrary to what we are often lead to believe, it has not been proven that neoliberal policies are effective in agrarian economies like Nicaragua's (Mosley *et al*, 1991).

Given the nature of the crisis -- the dislocations caused by years of economic and political instability -- it is clear that there are no "quick fix" solutions for Nicaragua. No policy package could hope to cause a dramatic turn-around in the levels of poverty and productive output in what Nicaraguans now call "the Africa of Central America". Some policies, however, can exacerbate an already dismal situation. Neoliberal policies are by no means the sole cause of the economic crisis in Nicaragua; the origins of the crisis predate the introduction of such policies. Nonetheless, it is probably no coincidence that the deterioration in many socio-economic indicators coincides with the embrace of such policies.

Aside from background information, most of this thesis focuses on the period between 1990 and 1996, when Violeta Chamorro's UNO government was in power. Though the Sandinista government introduced austerity measures between 1988-1990, the neoliberal agenda began in earnest with the inauguration of the UNO government. This is not to say that the cuts made by the Sandinistas were insignificant. On the contrary, as they were not accompanied by the additional loans that IMF-sanctioned structural adjustment programs receive, their austerity measures have been likened to "surgery without anaesthesia" (Norsworthy, 1990:68). Another reason for focusing on the period from 1990 to 1996 (as opposed to 1988-1996) is that it provided a clear break in time for the purposes of the survey and interviews. In this way it was easy for people to recall information, as 1990 is a benchmark date in Nicaragua.

In part, the embrace of neoliberal policies reflected the Chamorro government's own

philosophy. However, International Financial Institutions (IFIs) such as the World Bank and especially the IMF, have also put immense pressure on the Nicaraguan government to adopt such policies. The IFIs have done so through their adjustment lending programs (the aforementioned SAPs) which offer new loans to help ameliorate the debt crisis, on the condition that a set of stringent, neoliberal policies are implemented. Within the context of this thesis the term *neoliberalism* refers to the economic model "that promotes the growth of market forces and cutbacks in social protection" and "total freedom of movement of capital, goods and services," as well as a sharp reduction of the regulatory function of the state (Otero, 1993:18). Though the details of the specific policies introduced in Nicaragua will be provided later, the crux of the neoliberal argument is that an economy suffering chronic balance of payment problems should be restructured and liberalized in order to produce a large supply response. According to this view, state intervention in the economy is an impediment to economic growth, thus a liberalized economy that is freed from state control will improve the over-all efficiency of resource use and hence, increase total production.

In relation to agricultural production, neoliberalism predicts that liberalization of an economy generally shifts the terms of trade in favour of domestic agriculture, so that peasant producers will increase production in response to higher prices (World Bank, 1992:21). One of the World Bank's major prescriptions for agriculture is that the prices paid to producers should be allowed to rise to approximate the prices paid in the world market (Hayter and Watson, 1985:139). For this reason, neoliberals argue that, prior to liberalization in Nicaragua, peasants had little incentive to produce beyond their consumption needs, as prices were kept artificially low to meet the needs of urban dwellers. Under such circumstances, liberalization of markets

and the removal of price controls allows the peasant sector to respond to these new incentives by increasing supply (World Bank, 1988:6). In order for these reforms to be successful, however, it is vital that they elicit a large supply response, and in Nicaragua this means a large supply response from agriculture. Moreover, this also means that the response will have to be produced, in a large part, by the peasant sector.

A brief description of the agricultural sector is in order here. Currently agriculture employs about 46% of the labour force, thus numerically it is the most important sector in the country (www.fao.org). The Nicaraguan peasant sector resembles that of other Central American countries in that the main crops are corn and beans, with some peasants also producing sorghum, coffee, and vegetables. Most peasants raise some chickens and pigs, while some better-off peasants also raise cattle. In terms of land, Nicaragua is perhaps an anomaly in the region because there are so few people per square kilometre compared to the rest of Central America. The fact that land is less of an issue in Nicaragua may also reflect the lingering effects of the Sandinista agrarian reform, though land ownership is once again becoming more concentrated (Evans, 1995:244). The main agro-export crops are coffee, sugar, beef, and bananas. Cotton was also a part of this list until the price dropped significantly in the early 1990s. These five crops made up 70% of merchandise exports over 1987-93 (www.worldbank.org).

The World Bank (1988) contends that while its reforms tend to raise food prices and thus hurt the urban poor and rural landless, peasants will benefit from them. This research contradicts this general assertion by showing that many farmers are also adversely affected. For various reasons that are discussed throughout this thesis, the neoliberal model has been incapable of stimulating a significant supply response from the Nicaraguan peasantry; the conditions that the

peasants need in order to produce this necessary supply response have not materialized. In fact, the speed, depth and nature of the economic reforms themselves have in many ways *inhibited* the ability of peasants to produce such a response. Not only are the majority of small and medium peasant producers in the study group *not* producing the desired supply response, but production levels for many have decreased since 1990. Because peasants are relatively marginal to the money economy as compared to larger farmers, their true productive capacity is often neglected as the agro-export sector tends to be the focus of discussions surrounding agriculture. If the full productive capacity of the peasant sector is to be captured, policy makers would do well to take note of the types of concerns that are raised by the peasants in this thesis.

The need to revamp the Nicaraguan economy is not contested. What I am challenging in this thesis are the particular policies currently being implemented to achieve that end. The World Bank has argued that "there is no evidence that adjustment lending causes an increase in the overall misery of the poor" (World Bank, 1990:4), but I present much evidence in this thesis to refute this claim, and argue that in the case of Nicaragua, these policies have not only failed to strengthen the economy, but have led to a *decrease* in the standard of living for many Nicaraguans. Most Nicaraguans -- peasants and workers alike -- say that things have become markedly worse since 1990 (Envío, May 1995:7). A remarkable 80% of those I surveyed said the same. This is very significant when one recalls that prior to 1990 Nicaragua was at war and under an economic blockade. Though times were tough during the Sandinista years, in the minds of most Nicaraguans it seems that the economic problems of that era do not compare to the current situation. The most basic elements of the economy are being affected, such as the ability of people to feed themselves. In the course of my field work I found that things had deteriorated

even more than I had expected, and I was struck by how much a country can change in just six years. The apparent socio-economic dislocations of this period are significant in that they do not bode well for the success of the current reform process. Any potential gains of reform will likely be diminished if the majority of the population continues to be disgruntled. Policy makers would do well to keep in mind the serious implications for political stability if the needs of the majority are ignored.

Research Methodology

In addition to a review of the secondary literature on the topic, this thesis is based on primary field work carried out in the Department of Matagalpa between February and May of 1996. Funding and advice on the research methods was provided by Professor John Brohman of the Department of Geography, Simon Fraser University, who spent the first month of the field work in Nicaragua. Aside from academic purposes, Dr. Brohman is using the data collected as background information for a proposal for a production-based development project in the region.

The research was conducted with the help of the National Union of Farmers and Cattle Ranchers (UNAG), which is the most important representative of small and medium producers in the country. UNAG provided a research assistant (Jaime Pederson) and other logistical support in Matagalpa. Surveys were conducted with one hundred and ten households in five different *comarcas* (regions): Matazano, Apompua, Dulce Nombre de Jesus, Montaña Grande, and Real de la Cruz.

The survey included questions concerning production (of both animals and crops), health care, education, commercialization, and access to credit. The underlying purpose was to see how

the lives of the respondents had changed (or stayed the same as the case may be) since 1990. The majority of the questions were open-ended, giving the respondents plenty of room to respond with their actual opinions, rather than being prompted. By not asking them to answer yes or no to specific questions, they came up with their own responses, which depicted the reality of the situation in the countryside from the peasants' perspective.

To augment the household specific data obtained from the surveys, over 30 interviews were conducted with community leaders in each of the five *comarcas* in which the survey was carried out, as well as with representatives of various organizations in the cities of Matagalpa, the capital of the Department, and Managua, the capital of the country. These interviews raised similar questions to those in the survey, but they were asked with the broader community in mind, rather than referring specifically to the respondents' personal experience. Further details concerning the respondents and the research methodology are included in the appendix.

Like my sceptical colleague, some readers might think that because the peasants are unable to comprehend the intricacies of neoliberal reforms, data relating to their opinions and perceptions is unconvincing. An IMF study has suggested that "it would be unrealistic to expect poverty groups to imagine what might have happened without the adaptation of an adjustment program" (Heller, 1988:8). The use of the counter-factual allows neoliberal policies to be justified on the basis of abstract analytical models that purport to be able to tell us what would have happened in the absence of their policies. Such arguments make no reference to the lived experiences of the individuals involved. The fact that peasants do not fully understand the logic behind neoliberal reforms does not mean that such models are correct, or that the empirical experiences of the peasants are irrelevant. In this thesis I claim that peasants know their own

problems intimately and can offer clear examples of the effects that neoliberal policies are having on their communities. Moreover, they are also able to suggest possible alternatives to the current model. Much of this thesis focuses on their responses to the surveys and interviews that asked them to articulate these views.

I hope that this focus on the people's point of view will offer a unique contribution to the literature on neoliberal policies in Nicaragua. While most of the literature on this matter only occasionally refers to real life experiences, my goal is to give the peasants a voice, so that their concerns are at the centre of the discussion. Given that peasants are still numerically the single largest productive sector in most countries in the world, and that their productive output is vital to the success of the reform process, it makes sense to put issues concerning peasants up front in discussions surrounding the agricultural sector and adjustment. Using one of many popular Nicaraguan expressions, a peasant leader noted the justification for this people centred approach: "the bad of the pot, only the spoon knows -- and we are inside that pot" (Survey, March 29).

The Argument in Brief

While Chapters Two and Three deal mostly with macro issues and rely more heavily on the secondary literature, the rest of the thesis focuses primarily on the micro-issues concerning the peasant communities that I studied in the Department of Matagalpa. Chapter Two starts with an analysis of the precursor to the current predicament: the debt crisis. On a per capita basis Nicaragua is the most highly indebted country in the world (Torres, 1995:4). The heavy burden of debt service obligations is a fundamental factor contributing to Nicaragua's economic woes, and to some extent inhibits a strong supply response. The debts assumed by the Somoza,

Sandinista and Chamorro governments are examined, looking specifically at the way in which international factors such as the terms of trade and interest rates have affected the growth of Nicaragua's debt burden. Ethical questions are raised regarding current stringent debt repayment demands, which privilege debt repayment over meeting the basic needs of Nicaragua's population. The second section of Chapter Two examines the neoliberal response to the debt crisis. This is followed by a brief overview of the main policies that the Chamorro government implemented.

Chapter Three looks at the effect of implementing neoliberal policies in weak, agriculturally-based economies, and provides the framework for the critical analysis that emerges from the following chapters that draw specifically on my field work. This chapter explores five issues. It starts by examining the ways in which some of the main neoliberal policy instruments inhibit the supply response from the peasants. The next section argues that there is a lack of evidence to lend strong support to the implementation of such policies in weak agricultural economies. A presentation of the potential risks of these policies is followed by a critique of the assumptions the model makes. The last section explores the income distribution effects of the model, and looks at the ways in which Northern creditors and a small local elite have tended to benefit from the situation in sharp contrast to the majority of the population.

As was noted, Chapters Four to Six take the broad arguments presented in the previous chapters and relate them to the case of the Matagalpan peasants that I surveyed and interviewed. Chapter Four examines evidence that there has been a decrease in peasant production in Matagalpa since 1990. I examine the production levels of livestock (cows, pigs and chickens) as well as crops (primarily basic grains: corn, beans, and sorghum). The chapter also provides an

overview of the main reasons that peasants give for their low levels of production: increased cost of inputs, lack of credit, lack of work in the off season, lack of rain, as well an increase in the cost of health care, education and basic household necessities. There are two sides to this issue: on the one hand increased costs leave less money for productive purposes, while on the other hand, there are now fewer opportunities to gain access to liquid capital for productive purposes. Chapters Five and Six address these two issues respectively.

Despite the rather striking evidence presented by the peasants concerning production, it is not possible to draw absolute conclusions based on a six-year period -- especially for the agricultural sector. There are many variables at play that have influenced these unimpressive growth rates, and ultimately a longer-term study would be necessary to determine the relative importance of each variable. Nonetheless, it is important to acknowledge the strong arguments that many peasants made concerning their inability to increase production in the post-1990 era. While the focus is on peasant production, this chapter also touches briefly on the fact that there are indications that some large farms have also been negatively affected by these reforms.

The chapter closes by asking what the future holds for the peasant sector within the context of an increasingly globalized economy. The peasants offer some surprisingly lucid explanations, whose underlying message is that if the current model continues, it is likely to force many peasants off their land, forcing them either to work for large land owners on agro-export plantations, or to migrate to the city. As the quotation in the title of this thesis notes, peasants are well aware that their production methods are seen as unprofitable by many of the elite, and that because of this, their way of life is in jeopardy.

Chapter Five discusses the issues of access to credit, commercialization, and paid

employment -- the three ways in which peasants can gain access to cash income and working capital. Peasants argue that all three have deteriorated since 1990, and that this has affected their ability to produce. In 1990 access to credit was greatly reduced. Interest rates rose dramatically and the preconditions for obtaining credit became stricter. Many Matagalpan peasants are quite dependent on credit, and thus this sudden restriction of credit made it difficult for them to produce. These stringent credit policies, coupled with conditions that are not conducive to peasant production, not only make credit difficult to obtain, but even if were available it could be a recipe for debt and disaster for many peasants. While none of the peasants surveyed had obtained credit from the banks since 1990, some peasants have had access to "micro credit". However, it is likely that credit, even on soft terms, will remain a liability until conditions for production become more favourable.

The next section of this chapter offers an overview of the process of commercialization in post-1990 Nicaragua: price instability, usurping intermediaries, and trade liberalization are the main issues addressed in this section. The main problem the peasants spoke of, is that producer prices in Nicaragua have become very unstable and that, as a result, intermediaries are taking much of their profits. Prices tend to be low at harvest time when products are in the producers' hands, and rise more sharply later in the season when most producers have already sold their surplus to intermediaries. With regard to trade liberalization, some prefer the private marketing of crops to the protected state run marketing boards of the 1980s. Others argue that they cannot compete with the flood of goods from other countries and that much of Nicaragua's production is being bought up by intermediaries from other Central American countries, leaving very little food in Nicaragua.

The last variable which is analysed in Chapter Five is work. With approximately 60% underemployment nation-wide (twice the 1989 rate), it is no surprise that peasants consider the lack of work to be a serious problem (Arevana, 1993:44; MacLean, 1996:7). Some of this has been caused by the privatization of public sector services, but the agricultural sector has also been affected as many large producers have decreased production so that there is less seasonal work for peasants. This lack of employment affects peasant production, since many Nicaraguan peasants have traditionally worked as farm labourers in the "summer" or dry season, in order to earn the money needed to buy the inputs for their own cultivation once the rains begin in the "winter". This section looks at how increased unemployment is affecting the peasant sector's ability to increase production.

Chapter Six describes the effect that changes in health and education have had on production levels and on peasants' overall standard of living. I demonstrate that, in many cases, the decrease in support for health care, and (less significantly) education, has meant that earnings normally used for productive purposes are now being used to pay for these vital services. In fact, many families are selling off their capital assets to pay for these services, and this further depletes their productive resources. Thus current low production levels may even understate the extent of the problem being created for future production. This chapter also looks at how decreased support to these essential social services has effected the overall standard of living of Matagalpan peasants. This is doubly significant since it limits peasants' long-run ability to produce a supply response, as peasants who are hungry and uneducated will tend to have a low productive capacity. Hence expenditures on health and education ought to be seen as investments in social capital, rather than merely expenses. The chapter closes with a brief look at the social problems

that have arisen in the country since the implementation of this policy regime.

The concluding chapter of this thesis addresses ways in which a “foundation for a supply response” from the peasantry could in fact be laid. Some alternative solutions offered in the literature are discussed. This is followed by a review of the concerns raised by the peasants themselves, and a discussion of the solutions they suggest to stimulate a supply response. The underlying message is that in order to do so, the issue must be tackled holistically, rather than taking a piecemeal approach that does not take into account the real-life constraints of peasant production.

Much of the thesis details the extreme misery in which many Nicaraguan peasants live. However, it is important to note that this thesis was greatly inspired by the vitality of the Nicaraguan peasants who participated in the survey and interviews. Indeed, throughout the research I was in awe of the ability of Nicaraguans to survive in such harsh circumstances. The stories the peasants told are ones of struggle and great determination. After years of economic and political strife Nicaraguan peasants have acquired skills and coping mechanisms that we in the North would do well to study, as we begin to feel the polarizing effects of neoliberalism in our own societies.

Chapter Two

THE DEBT CRISIS and the NEOLIBERAL RESPONSE

In order to understand the current crisis in Nicaragua, it is important to examine how the country got into the dismal situation it finds itself in today. I feel it is crucial then to begin this thesis with a look at the precursor to today's predicament: the debt crisis. The purpose of this chapter is to highlight the fact that the debt itself dampens Nicaragua's productive capacity. Funds that might otherwise be put towards nurturing the peasant sector are ear-marked for debt servicing obligations. Because export earnings and external financing are used for debt service, the relationship between exports and growth is lost (Gorostiaga, 1994:13). As long as large portions of government revenue are put towards the debt, the productive capacity of the peasant sector may remain less than hoped for.

A general discussion of the issue is followed by a look at Nicaragua's own debt crisis. The focus on the debt is not meant to suggest that before the debt crisis began all was well in Nicaragua. However, the debt, and the leverage it gives the IFIs to impose economic reforms on Nicaragua, are key elements contributing to the current situation. The next two sections examine the goals of structural adjustment and the main policy prescriptions implemented by the Chamorro government at the request of the IFIs. A critical analysis of the consequences of these policies in Nicaragua's rural economy is presented in the remaining chapters of this thesis.

Ahistorical economic analysis often forgets that today's woes are rooted in history. In the literature on SAPs, the analysis usually begins when the crisis ensues, without recalling how countries became indebted in the first place -- or even how this may be linked to the way in which rich countries got rich, for that matter. As Jenson reminds us, history is often remembered

in ways that uphold the interests of the hegemonic order (1995).

The borrowing that took place in the 1970s was largely sanctioned by the IFIs: the thinking in development economics at the time was that the loans would be used as venture capital that would help countries to "take off". As late as 1977, the World Bank claimed that it was "even more confident today than a year ago that the debt problem is indeed manageable" (Mosley *et al*:22). However, as Sachs (1989:9) explains, even in the 1970s there was no evidence that countries would be able to pay back loans, or even service them, if they had to pay with their own resources; even at that time, new loans were being made to service old ones. Eleven years later, the World Bank (1988:30) retracted the previous statement by admitting that despite the austerity of the 1980s, "in most instances, the debt problem is greater now than it was at the start of the 1980s".

The logic of the IFIs is that the loans of the 1970s did not succeed in producing enough growth to repay the debts because national governments intervened excessively in the economy, in ways that restricted the efficient operation of market forces. Since the start of the crisis in the early 1980s, loans have been granted on the condition that government intervention in the economy be reduced. One of the problems with this scenario is that there is no guarantee that structural adjustment loans will actually produce very different results from the lending of the 1970s. Perhaps there is no solution to be found in obtaining new loans to pay off existing debt. Even after following the IFIs' prescription for years, many countries, including Nicaragua, have found that they are only deeper in debt (Chossudovsky, 1991:2531), and sustained growth has not yet been achieved in many agriculturally-based economies.

Debt in Nicaragua

Nicaragua's debt crisis began under Somoza: in the last three years of the dictatorship the per capita debt rose 22% annually (Ugarteche, 1983:190). Nicaragua's situation was not unique: many Southern nations were approached in the 1970s by Northern creditors, anxious to invest the OPEC petro-dollars sitting in their vaults. At that time, interest rates were low and primary commodity prices were reasonably high, so many countries readily took the loans offered. In Nicaragua, when the Revolution triumphed on July 19, 1979, Somoza left the country burdened with a \$1.6 billion debt. There were only \$3 million in foreign reserves and \$33.2 million were missing from a loan that the IMF had granted in May, two months earlier. Hayter and Watson (1985:51) suggest that this money probably vanished into a Swiss bank account. A billion and a half dollars may not seem like a lot of money today, but, due to compound interest, the debt that had accrued under the Somozas now represents just under a third of the outstanding total (Gorostiaga, 1994:13).

These events were entirely consistent with the behaviour of the Somoza clan which had run the country for over forty years as its personal fiefdom. The regime was well known for its brutality; the family is said to have supplied its blood plasma factory by literally "draining" political prisoners to death (Dijkstra, 1992:64). Moreover, it is important to remember the history of this dictatorship, which was installed by the United States in 1936 in order to maintain control over Nicaragua. This was done even though its failings were well known, as this famous statement by Roosevelt suggests: "Somoza may be a son of a bitch, but he's our son of a bitch". In short, the United States supported the family that eventually initiated the debt woes of the nation -- along with many other problems that plague Nicaragua even today. The IFIs, dominated

by the United States and other Western interests, were complicit in this arrangement.

In addition to the country's heavy debt, historical circumstances brought the Sandinistas to power just as the second OPEC crisis was causing a dramatic increase in oil prices and real interest rates. This was especially difficult for a war torn economy that was 70% dependent on oil for its electricity (Rudolph, 1982:109); and the effect was subsequently exacerbated by the cost of fighting the US-backed Contras. As a result, the Sandinista government became especially dependent on international assistance which further increased Nicaragua's debt burden. By the time they left office in 1990, the accumulated debt had risen to \$9.6 billion (Norsworthy, 1990:89).

From the beginning the Sandinistas' relationship with the IFIs was extremely rocky. When they first took power, they refused to negotiate with the IMF because of the preferential treatment that it had granted Somoza (Downer, 1980:126). On the other hand, the World Bank initially worked with the Sandinistas, but after the Reagan administration took office, the Bank refused to offer any further loans to the Sandinista government (Hayter and Watson, 1985:214), as it had done to other left-leaning governments in Chile, Vietnam, Grenada, and Jamaica (Hayter and Watson, 1985:200). Hence, most of Nicaragua's existing debt stems from bilateral loans.

At over \$11 billion the current debt load places a huge weight on the shoulders of the country's population of less than 4 million people. In fact, Nicaragua is one of only twelve countries in the world that have annual debt repayment obligations that are greater than all government revenues. In 1994 Nicaragua's debt was worth about 800% of its GNP (Brazier, 1997:5), and on a per capita basis it was the most highly indebted country in the world.

Although Nicaragua is servicing this debt, the total debt continues to grow (Gorostiaga, 1994:21). For example, in 1993 Nicaraguans paid \$240 million towards the debt -- but in the same year the debt grew by \$400 million (Torres, 1995:6). Although the Chamorro government had some success in obtaining debt relief, this only reduced debt service obligations, not the debt itself (Envío, August 1995:26). Thus, though the terms of repayment were softened, the accumulated debt did not alter significantly, even though many countries have offered concessions. This is so despite the fact that between 1990 and 1994, Nicaragua received the highest per capita aid of any Southern country, and most of this aid went towards debt service. In 1994, for example, 96% of international aid was used for this purpose (Torres, 1995:6). In other words this so-called "aid" goes right back into Northern coffers, leading Hayter and Watson to the rather biting conclusion that:

It would be preferable to abandon the use of the word "aid" altogether because it is such an obvious misnomer. It might instead be called an export subsidy, public subsidy for private profit, debt insurance, funds for counter-insurgency, or whatever (1985:2).

Because so much aid is used for debt servicing, there is very little left to invest in productive activities that would eventually enable the country to get out of debt: "Nicaragua's debt is already unpayable and, if trends continue, it will keep growing until its weight crushes any possibility of economic viability" (Gorostiaga, 1994:9). As noted, under such conditions it is a contradiction to expect prompt debt repayment as well as an increase in productive capacity.

One of the misconceptions concerning poor nations is that their problems are largely *endogenous*, when in fact the debt crisis was largely triggered by *exogenous* factors. This is not to say that local actors were immune from blame. However, the emergence of the debt crisis was

intimately related to external factors, such as the price of oil, real interest rates, global growth rates and commodity prices. For example, the sharply deteriorating "balance of payments situation of non-oil developing countries can only be understood in the global context so that the resulting payments problems are essentially international, or exogenous, in character" (Killick and Sutton, 1982:5). As a result "a large part of the deficits of non-oil developing countries are essentially counterparts of the OPEC surplus" (Killick and Sutton, 1982:14). The profit made from the original loans was then recycled through the banks and lent back to countries such as Nicaragua:

Ironically, part of the income appropriated from the Third World is used to provide new credits (at high interest rates) to enable the poor countries to continue servicing their external debt. Indebted countries thus generate the surplus which funds new capital loans and foreign investment by rich creditor nations: the income taken from the direct producers through unequal trade and debt servicing is lent back to them, on condition of course that they continue to apply the IMFs' 'economic medicine' and accept depressing wages and prices even further, and so on and so forth (Chossudovsky, 1991:5537).

Many people probably think that the North gives more to the South, when in fact by 1990 the net transfer of money from the South to the North was \$50 billion dollars (Mosley *et al* , 1991:47).

One of the controversial issues concerning the debt is that the conditions for the loans have changed significantly from the time they were first issued. For example, when the original loans were issued, the interest rates were low, but the excessive lending that ensued fuelled inflationary pressures and this ushered in strict monetary policies that raised those interest rates to unprecedented levels. In such a situation even a change of one percentage point can have a significant impact -- every one per cent increase in the interest rate adds hundreds of millions of dollars to Nicaragua's debt servicing costs. Currently half of Nicaragua's debt is accumulated interest, which reflects the problems caused by the excessive interest rates of the 1980s. Because

these high interest rates were effectively the result of deliberate monetary policies pursued in the North, Schatan (1987:110) has suggested a debt relief scheme in which that portion of the debt that comes from the resulting increase in interest rates should be subtracted from the total accumulated debt.

Another difference in lending practices today, compared to the pre-1980 period, is that creditors have been better able to demand and enforce *full* repayment. In previous debt crises, debt forgiveness was the norm rather than the rare exception that it is today (Sachs, 1989:23). In fact there is a strong case for refusing to pay the debt obtained under the Somoza dictatorship. Nicaraguans are still paying for debt that Somoza incurred purchasing the weapons used to torture and murder them -- and to pad the Somoza accounts in Switzerland, yet the banks that made these loans have not taken a loss for their irresponsible lending practices. Due to the power that the IFIs have over indebted countries, however, default, and other forms of unilateral debtor action, are not a realistic option. Countries that have tried such action to date (Peru and Zambia for example) have been severely punished by the international community.

One of the most famous critics of the international financial system and the resulting debt crisis is Cuba's Fidel Castro. Castro echos many of the above criticisms in explaining why parts of Latin America's debt should be considered illegitimate:

How do they expect Latin American countries to develop if along with paying them less and less and charging them more and more for what they import, there is capital flight, unequal competition, an overvalued dollar, and they charge arbitrary and high interest rates for the giant debt that has been imposed on the people? (Cited in Elliot, 1987:10).

Gorostiaga (1994:39) points out that forgiving Nicaragua's debt would not affect the world economy, since the \$11 billion dollar debt that is causing such havoc in Nicaragua, is a

pittance as far as the world's financial sector is concerned. However, just tinkering with the debt levels via minor amounts of relief is not the answer: only radical reductions will ultimately be useful. Anything else would probably result in nothing more than "small spasmodic breaths that prolong the agony" (Castro, cited in Elliot, 1987:30).

Unless the current pay back scheme is altered drastically, it is unlikely that Nicaragua will be debt free any time in the foreseeable future -- if ever. In fact, the debt is technically and realistically unpayable (Dumazert, 1995:14) but it may be in the creditors' interest to keep it this way. As long as money keeps flowing North, it does not matter if the principal is not paid off; indeed it is more lucrative for the creditors if it is not. While creditors may look upon debt repayment purely as a business transaction, this does not alter the fact that their strict repayment demands are contributing to poverty and misery in Nicaragua. Under such conditions, there is little possibility of producing the substantial supply response on which the logic of neoliberal adjustment policies ultimately rest.

Perhaps the most significant aspect of the debt crisis is that it has been used as a political lever to force Nicaragua to implement risky policies that are clearly more beneficial to its creditors and to others in the North than they are to most Nicaraguans, especially in the short-term. Collins has noted that the world's financial and corporate leaders could not have planned things better: "If the debt didn't exist, they would almost have to invent it as a way to dictate market-based policies" (cited in O'Neil, 1992:5). It is only because of the debt burden that the IFIs are able to have such a stranglehold on Nicaragua.

The debt crisis is thus an omnipresent variable in the Nicaraguan economy, and should be kept in mind throughout the reading of this thesis. The constraint of the debt puts Nicaragua --

and all similarly indebted nations -- in a precarious and vulnerable position. The former president of Tanzania, Julius Nyerere, once noted that he was forced to choose between feeding his people or servicing his foreign debt (Agarwala and Schwartz, 1994:3), and Castro expresses similar sentiments when he explains that Latin American countries have to “practically kill the people to impose the sacrifices to pay the debt” (cited in Elliot, 1987:12). But even though the debt is a great burden, it is only part of the problem. Even if the entire debt was forgiven, Nicaragua would still face serious challenges. The next two sections present the policy regime that was imposed on the people of Nicaragua by the IFIs and the Chamorro government as a result of the debt crisis.

The Neoliberal Response

The international creditors' response to the balance of payments deficits has been to impose market-oriented policy reforms. In order to gain or to maintain access to international funding, governments have to implement a Structural Adjustment Policy (SAP). SAPs have two main components: stabilization and adjustment. Both are designed to correct balance of payments problems and are generally accompanied by adjustment loans that are intended to ease the transition. The basic idea is to increase allocative efficiency, the production of tradables (exports and import substitutes), and to decrease domestic, especially government expenditures. While stabilization primarily addresses the demand side of the economy, adjustment seeks to boost supply.

Stabilization is a short term macroeconomic policy, generally comprising three primary policy instruments: fiscal, monetary and exchange rate reform. Fiscal policy is designed to

decrease domestic expenditure. Monetary policy is used to restrict the money supply to counter inflation by restricting the availability of credit -- which further ensures a decrease in domestic expenditure. And exchange rate reform is designed to adjust the exchange rate so that exports become cheaper and imports more expensive. Together these expenditure reduction measures are designed to bring domestic demand more into line with what the country can afford. Such policies are extremely important in that no country can spend beyond its means in the long run. But, as I show in the next chapter, too much restraint can ultimately be extremely detrimental to an economy's long-term prospects.

Adjustment involves a longer term set of microeconomic policies that aim to increase domestic production. In essence, adjustment seeks to liberalize the economy so that the market, rather than the state, allocates resources. It is argued that reductions in government-imposed restrictions help the economy run more efficiently. The goal is to "get the prices right" since in a heavily controlled economy, it is difficult for anyone to know which resources are really scarce and to make sensible decisions regarding their use (Toye, 1989:73). The neoliberal model is predicated on the idea that "the free play of supply and demand via price signals will steer resources to uses that provide the greatest satisfaction and the highest return" (Kuttner, 1997:6).

The neoliberal approach to the agricultural sector also emphasizes this notion of getting the prices right. It is argued that in general, governments protect domestic agriculture for political reasons, manipulating agricultural prices in order to provide low prices for urban consumers and revenues for government (Krueger, 1993:101). By depressing food prices, government intervention offers inadequate incentives to farmers to produce food. As a result: "farmers shifted to alternative crops, gave up farming and migrated to the cities, returned to subsistence

farming, and/or smuggled their produce out of the country” (Krueger, 1993:101). Hence neoliberals argue that such policies need to be repealed and the marketing boards that implemented them abolished or transformed. If producer prices are allowed to rise, the argument goes, peasants will increase production and thus increase supply, leading eventually to sustainable lower prices. As discussed later, however, in Nicaragua this incentive shift has proven to be insufficient and ineffective due, in part, to the other changes to the context in which peasants produce.

The Implementation of Structural Adjustment

During the electoral campaign of 1990, Chamorro promised to end the war, to have the U.S. blockade revoked, and to dramatically improve the economy. While succeeding in the first two endeavours (thanks to the United States), Chamorro failed on the third point. On its first day in power, April 25, 1990, the new UNO government installed the *Plan Mayorga* -- named after the Central Bank President who orchestrated this 100 day plan to improve the economic situation. The goal was to arrest inflation by intensifying the orthodox restraints that the Sandinistas had imposed from 1988, and by introducing the Córdoba Oro -- the Gold Córdoba -- that was pegged to the U.S. dollar, thereby eliminating devaluation as a source of inflation, but also as a policy tool.

Except for the pegged exchange rates, most of these reforms reflected a typical structural adjustment programme: deregulation of the economy, a decreased role of the public sector through privatization of state corporations, elimination of subsidies, wage freezes, and the abolition of universal social services such as education and health care. The reforms were

"aimed at consolidating Nicaragua's transformation towards a market-based economy" (MacLean, 1996:10). Prior to 1990, the Nicaraguan economy was partly market-based, but since then, liberalization has opened it to the international market so that "virtually all government control of the economy has been eliminated" (Evans, 1995:245). This means that the peasant sector is now increasingly monitored by the invisible hand of the market, with little state intervention.

Unfortunately for Chamorro's new government, for the most part this policy package did not ameliorate the situation. By August 1990 inflation had skyrocketed as prices increased dramatically while unemployment became rampant. Thus "the glittering campaign promises of prosperity had vanished" (Norsworthy, 1990:71). Instead of economic recovery, GDP declined by 5% in the first year (Arevena, 1993:51). One significant achievement of these reforms, however, was that the government brought inflation down to 10% from the 33,000% high it had reached under the Sandinistas. One reason Chamorro gave for the overall failure of these reforms is that the government had expected far more aid from the international community. For example, the U.S. had pledged \$541 million, but by April 1991 it had come through with less than half that amount (Gibson, 1991:35). Another reason given was that the Nicaraguan economy did not react in the way that policy planners and advisors had hoped. The underlying issues are very complex and it has become obvious that the magic wand of austerity plus market forces would not solve the country's problems. The predicted supply response from the peasantry remains elusive even six years into the programme, and without this, the logic of the adjustment programme simply collapses. The following chapters offer some explanations as to why this should come as no surprise.

Chapter Three

NEOLIBERALISM AND THE PEASANT SECTOR IN NICARAGUA

There is a wide body of literature, based on many different country experiences, which argues that, rather than abating the crisis caused by the debt, neoliberal policies have tended to heighten it (see Elson, 1990; Evans, 1989; Osei-Kwadwo, 1996 etc). Campbell and Parfitt (1995:3) conclude that “there is considerable evidence to suggest that such policies have done more harm than good in many states”. Nonetheless, this does not deny the fact that the Nicaraguan economy needs serious restructuring, and that this is an enormous and difficult task. While I am critical of orthodox neoliberal solutions, I do not have a disdain for sound economic policies. However, solutions that rely primarily on economic liberalization are more likely to have a positive outcome in non-agricultural, middle income countries. The difficulty is that the supporters of neoliberalism too often believe that their solutions are universally appropriate, irrespective of the historical or cultural context. In short, advocates of neoliberalism must understand that in poor agriculturally-based countries there is a need for alternative strategies that take the local context into account.

The analysis throughout this chapter -- and throughout the whole thesis -- is based on the argument that neoliberalism in Nicaragua has not succeeded in its own terms: that is, the reforms introduced since 1990 have not fostered the necessary supply response from the peasantry. The current policy measures work very well if the goal is to ensure debt repayment and concentration of wealth, but for the most part they do not seem to be benefiting the majority of Nicaraguan peasants, either in terms of increasing production or improving their general well-being. This chapter offers a general analysis, with special reference to Nicaragua, of why neoliberal

economic policies are in many ways inappropriate for stimulating peasant production. This is supported by the more detailed examples offered in the following chapters that draw on my field work in Matagalpa.

The issues discussed in this thesis often surround the debate between the state and the market. Though everyone agrees that the market and state need to be balanced in some way, neoliberals tend to support a balance that is tilted towards the market and that often downplays the potential role of the state in fostering economic growth; while others support a balance that does not fully recognize the useful aspects of market forces. Soros (1997:50) explains that those who abhor state intervention in the economy "side step the issue by arguing that since regulations are faulty, unregulated markets are perfect". Soros goes on to demonstrate that in the absence of perfect knowledge, both free markets and regulations are faulty (Soros, 1997:51). Debates over the role of state intervention have become excessively polarized because both sides ignore this reality. In reality, just as too much state power can be negative, too little can be problematic as well. For example, many of my informants in Nicaragua did not like the excessive Sandinista intervention in the economy, yet they also disliked the fact that under the Chamorro government the state was virtually absent in the countryside. As Teye (1989:89) contends:

The proposition that market failures are small, but government failures are enormous, can make a powerful slogan. But, as a piece of economic and political analysis, it is wholly inadequate in understanding the two-way interaction between market and government failures.

Markets are not inherently bad, but there is a great difference between a supermarket, which works quite well for allocating prices, and the market for social services such as health care and education, which are not always perfect markets (Kuttner, 1997:5). Kuttner (1997:2)

argues that “the mixed economy -- a strong private sector tempered with and leavened by a democratic polity -- is the essential instrument of both a decent society and an efficient economy”.

This chapter now examines five specific issues. In the first section I further analyse the effect that some of the main policy instruments of structural adjustment have on peasant production. From there I show that there is a distinct lack of evidence that neoliberalism is in fact the appropriate model to pursue in a weak agrarian economy such as Nicaragua's. Next I examine the risks associated with neoliberal policies, and I argue that these risks are especially great for peasants, thus making it difficult to produce a supply response. The reason for this is closely linked to the unrealistic assumptions on which the neoliberal model is based, and these are explored at this point. The last section explores the income distribution effect of these policies. I argue that production in the peasant sector would improve if income were distributed more equitably.

The Policy Instruments

This thesis challenges one of the main assumptions of neoliberal economic theory concerning agricultural production, namely that peasants will always respond to price incentives. Though it is generally recognized that factors other than price are at play, some advocates of neoliberalism, Sarris argues, feel that “economic agents respond to price signals better than non-price signals” (1987:11). This section looks at aspects of neoliberal reform that tend to inhibit peasants from responding to increased producer prices. Four issues are examined: expenditure switching, currency devaluation, demand restraint, and investment. Increased prices are not a

sufficient incentive for the peasant sector in Nicaragua, especially in the context of all the other changes occurring in the country. As a result, the supply response upon which the success of the neoliberal model is predicated, is curbed.

While adjustment is supposed to lead to allocative efficiency through expenditure switching, the responses are often not fast enough in an agricultural economy (Loxley, 1986:32). Thus, if a peasant chooses to respond to an increase in prices, he or she must often wait until the next planting season to do so, by which time the price may no longer be so attractive. Because prices are generally very unstable within a free market system, these price incentives are often available only at times of the year when peasants no longer have any surplus to sell. Many peasants in Matagalpa argue that the price is always high when they buy their seeds, but by the time they harvest their "investment," the price has generally declined. If they have the seeds in storage they are less likely to lose out in this way. However, high prices such as those prevailing in the spring of 1996, indicate low supplies, so that very few people have surplus in storage for eating, let alone for sowing. One of the peasant respondents described the process very clearly:

There was a moment never seen in Nicaragua before: a *quintal* (100 pounds) of beans was worth \$100 because the people had not planted beans (in the 1991-1992 season). The people decided to sow beans because the price was so high. The next year production was good and the price decreased to \$50 a *quintal*. For two years the producers lost: one because they did not plant, and the other because they bought very expensive seeds (beans) to plant. Now the price has increased a little, but if we compare it to the cost of production, the producer ends up losing (Omar: Interview, April 15).

In this way producer price incentives alone are not always able to induce a supply response from the seasonal agricultural sector. This model does not adequately address the chronic problem of seasonal price fluctuations, and how these inhibit production.

Another important aspect of structural adjustment is the devaluation of the domestic currency. Neoliberals often contend that over-valued exchange rates make goods too expensive for the international market. The value of the Nicaraguan Córdoba, measured against the U.S. dollar, has been steadily falling: in 1991 the exchange rate went from one Córdoba to the dollar to five to one overnight, and in 1993, a crawling peg exchange rate was introduced. Each time I went to the bank to change money I received more Córdobas for the same amount of dollars. In the spring of 1996 the devaluation equalled about 12% a year, so there was a noticeable change on a daily basis.

As well as causing a rise in debt service obligations, a devalued Córdoba has a great influence on Nicaraguan peasant production. Proponents of SAPs often argue that "the chronically overvalued exchange rate favours urban workers and the protected manufacturing sector at the expense of the agricultural sector" (Sachs, 1989:15). Though devaluation may benefit peasants in agricultural economies that are not highly dependent on imported inputs, in Nicaragua the potential benefits are largely illusory because peasants are extremely dependent on such inputs. Even some of the IFI economists have recognized this problem. Thus the IMF's Kahn and Knight (1985:16) conclude that "devaluation can also increase the domestic-currency price of imported inputs, and if the demand for them is inelastic, total production would decline".

Similarly, Heller's IMF study (1988:33) notes that devaluation will not help the rural poor in countries where land ownership is concentrated, because people that do not have access to land cannot take advantage of it. In Latin America, land tends to be highly concentrated in a few hands. Although the agrarian reform had reduced land concentrations in Nicaragua, under the Chamorro administration some of these gains have been rolled back, so that, as was noted, land

ownership is once again becoming more concentrated. This too contributes to decreased peasant production.

There is much evidence to suggest that excessive demand restraint also depresses production levels. Reducing absorption is very useful for improving the balance of payments. However, stabilization policies that entail cuts to important budgets in some ways contradict the logic of adjustment policies. Chossudovsky (1991:2531) notes that "the very process of belt tightening undermines the capacity of countries to initiate a genuine economic recovery", or as Jan Pronke, a Dutch aid worker remarked: "once the belt has been tightened to the last hole, indigestion sets in" (cited in Agarwala and Schwartz, 1994:29). Reductions in social services may save money in the short run, but these cuts may also inhibit the stimulation of supply over the longer term. Social expenditures are also a form of investment in social capital -- and hence investment in future productive capacity, as Chapter Six will show. Moreover, besides affecting the growth prospects of the domestic economies of specific developing countries, these policies can also have a negative impact on the global economy as a whole since:

A disproportionate share of the burden falls on deficit countries and, because they generally have to respond by measures to restrain domestic demand, this tends to slow down the over-all growth of the world economy (Killick and Sutton, 1982:43).

Mosley *et al* (1991:204) suggest that one of the most frequent outcomes of the combined effect of stabilization and adjustment is a decline in investment. In Nicaragua private investment dropped from 11.2% of GDP in 1990, to 7.4% in 1993 (Evans, 1995:236), and such a reduction in investment makes a major supply response very difficult (Mosley *et al*, 1991:200). Indeed, even the World Bank itself (1990:45) acknowledges that "high real interest rates choke

investment", because of the high costs of borrowing. With interest rates as high as 40% in Nicaragua, it is not surprising that people may be hesitant to borrow money for investment purposes. As inflation is approximately 10%, the real interest rate is less, but it is still prohibitive for many. These high interest rates have favoured speculative short-term investment over productive investment (Hanse-Kuhn, 1995:3), thus even as the investment climate improves, the peasant sector is unlikely to benefit.

Investment's companion, savings, theoretically benefits from high interest rates, but in practice this is not necessarily the case in impoverished countries. The World Bank (1988:3) notes that "in economies where per capita income is stagnant or declining it is unrealistic to expect large increases in private savings". Loxley (1986:33) notes that even in cases like Nicaragua, where interest rates are attractively high, they are unlikely to cause an increase in the rate of savings. Just as poverty inhibits peasants from taking advantage of higher producer prices, they are unable to take advantage of high interest rates. Indeed, since they are much more likely to be net borrowers, high interest rates are more often a cost than a benefit. In any case, it stands to reason that people who often do not have enough to eat are unable to put aside much money for savings or investment. On the other hand, due to the global nature of modern capital markets, those who do have money to invest benefit enormously from high interest rates, wherever they are in the world. Ghai (1991:26) notes that some factions of the elite in Latin America have had extraordinary opportunities to enrich themselves as a result of the dynamics of global financial markets, and Nicaragua's "Miami Boys" are no exception.¹

¹Miami Boys are elite Nicaraguans that left the country during the Revolutionary years but have since returned. Though they do not make up all of the elite, they tend to be especially conspicuous in their consumption.

The next section continues the argument that some aspects of neoliberal reform inhibit peasant production. It examines the (lack of) evidence that neoliberal policies are indeed the best over-all choice to induce a supply response in weak, agriculturally based economies.

Lack of Evidence

Contrary to what we are often led to believe, "[t]here is no historical precedent for any country having developed a strong economy on the basis of following policies similar to structural adjustment" (O'Neil, 1992:8). In fact, Japan's central aid agency (the O.E.C.F.) claims that most successful economies have followed policies rather different from the neoliberal formula (Wade, 1994:24). In reality, there is a surprising lack of evidence to support the claim that neoliberal policies are the most appropriate for addressing the problems of agriculturally-based economies. As Bienefeld (1993:29) notes, there is no strong historical, empirical or even theoretical foundation for many of the claims that neoliberal orthodoxy makes.

The mystique regarding these policies that has been carefully *manufactured* -- as Chomsky and Herman (1988) would say -- must be maintained. Wade (1994:22) notes, with tongue in cheek, "like God and for the same reason, it [the World Bank etc] cannot afford to admit it is wrong". Former chief economist for the World Bank, Lawrence Summers, has admitted, however, that "we have lost sight of the role of governments supporting hand in our enthusiasm for the market's (invisible) hand" (cited in Wade, 1994:13). Osei-Kwadwo (1996:262) explains that even though the literature from the IFIs is peppered with such comments, the over-all policies have not fundamentally changed: "Notwithstanding these supposedly learning experiences, the advice from the Bank and the Fund has changed little as a

result of past mistakes”.

In defence of their model, the IFIs often proudly point to the success to the Newly Industrialized Countries (NICs). It is argued that countries such as Taiwan, South Korea, Singapore, and Hong Kong have all developed on a basis of the Magic of the Market. However, many observers suggest that, at least in part, it was the state control and protection of infant industries that helped to foster their development (Bienefeld, 1993:7). Bienefeld has also noted that "in virtually every instance development has been associated with strong and active states using protection, industrial promotion, financial regulation, and agricultural policies to create a coherent national economy capable of responding to both external challenges and to domestic social and political priorities" (cited in CAPA, 1995:16). In fact, it is not possible to justify SAPs based on the NICs because the claim that intervention is inherently negative is actually disproven by the NICs. Many of the most important aspects of the NICs' policy regimes are decidedly absent in the neoliberal model. A study conducted by the World Bank suggested that investment in primary education has been "the single most important factor behind the divergence in growth rates between sub-Saharan Africa and South-East Asia" (Watkins, 1996:13). Though the World Bank recognises the merits of primary education, in practice stabilization policies often negatively affect education budgets. Chapter Six indicates that this has been the case in Nicaragua.

Despite this lack of evidence, Soros (1997:45) explains that those who support neoliberalism "claim to be in possession of the ultimate truth...(but) nobody has a monopoly on the truth". With the use of charts, graphs and complicated language, many people are convinced and do not question the logic of the argument. As a result, many people are oblivious to the lack

of evidence to support the implementation of these policies in weak, agriculturally based economies, even though, as Loxley notes, “there are so few examples of success it is embarrassing” (1986:33).

Risks

The lack of evidence surrounding the effects of adjustment policies on certain kinds of economies is a serious problem because these policies are very risky. If the evidence did strongly support the neoliberal claims, then perhaps these risks would be worth taking: short-term pain could be worth it, if there was enough long-term gain. But without the evidence that these policies will eventually bring such gains, it is probably irresponsible to take risks, especially when the costs will be borne by people other than the policy makers.

Peasants tend to be wary of risk. Marginalized people in general are so vulnerable that making risky economic decisions is dangerous since they may lack the resources to survive if a risky venture fails. The fact that poor people are less inclined to take risks is one reason why they remain impoverished, but it is also one of the reasons why they survive. Schejtman (1988:275) explains that “a peasant’s behaviour as a producer is guided by a kind of ‘survival algorithm’ which leads him to avoid risks despite potential profits that would arise if he accepted them”. For example, many peasants in Nicaragua today refuse to take out loans (those who do have access to credit) as they risk having their land confiscated if the borrowed capital fails to increase their income either because production does not increase enough, or because falling prices negate their efforts. In this way they forgo chances to move up the ladder, but they also avoid a serious crisis. With the instability of the prevailing environment peasants are possibly

even more risk averse than usual, and this may also be negatively affecting supply.

For the same reasons, poor countries cannot afford to make risky economic decisions either. After years of turmoil, Nicaragua sits in a very precarious position, and thus accepting structural adjustment loans is a risky proposition. The World Bank (1988:9) itself admits this hazard: "Adjustment lending however, is both a potentially high pay-off and high risk instrument". It is easy for it to acknowledge this, since it does not shoulder any of the risk. This calls into question the willingness of the World Bank and the IMF to promote adjustment loans in hard pressed countries, even though there seems to be little or no conclusive evidence that the loans will stimulate the supply response that would be needed for their success.

Many critics point out that a serious problem with these reforms is that they tend to be implemented very rapidly. For example, though Nicaragua's economy desperately needed to be revitalized when the war ended, the changes were so drastic and so speedily introduced, that this caused great instability. Fernando Arias of the Inter-American Development Bank concedes that "revamping an economy under crisis conditions is very inefficient" (cited in Wallich:1995). Gorostiaga (1994:10) argues that the reforms should be applied gradually "so as not to kill the patient with an overdose of the cure". However, there are others who contend that if reforms are not pushed through quickly, they will never come to fruition. For example, the World Bank (1988:51) contends that "[t]he political will to sustain gradual reform may weaken over time if benefits are too diffuse and opposition gather momentum". While it may be desirable to make changes quickly rather than drawing the process out unnecessarily, the argument that reforms must be pushed through before people can organize to oppose them effectively seems inappropriate.

Because many countries are being pressured to expand the same exports at the same time, the result has been a global over-supply (Chossudovsky, 1991:2531). When this is coupled with contracting or stagnant world demand, the combination has resulted in lower commodity prices, as was the case in the 1980s (Chossudovsky, 1991:2535). Thus policies that are intended to generate surplus to pay the debt "accomplish exactly the opposite of financial solvency. The solution to the debt crisis becomes the cause of further indebtedness" (Chossudovsky, 1991:2532). This decrease in prices is quite convenient for us in the North, as we gain access to cheap goods.

It is always risky to produce agricultural products for an international market that is extremely volatile, and this can be especially so if the production of export crops encroaches on land that was previously used for the production of basic grains, thus endangering the food security of the nation. In the following chapter on production, the peasants explain that agriculture is not only risky due to price instability, but also because of other factors, such as decreased access to capital for inputs. For this reason, many peasants are experiencing a decrease in their productive capacity.

Assumptions

The seeming inability of structural adjustment to succeed under Nicaraguan conditions may lie in the assumptions on which the orthodox model is based. For example, at times neoliberal models assume away so much that the resulting models no longer resemble real life situations. Bienefeld (1993:14) notes that: "These conclusions become wholly untenable the moment one drops the indefensible assumptions on which the argument is based". Soros

(1997:48) claims that the assumptions do not apply to the real world because we lack the perfect knowledge that the model presumes: "The supposedly scientific theory that has been used to validate it turns out to be an axiomatic structure whose conclusions are contained in its assumptions, are not necessarily supported by empirical evidence" (Soros, 1997:50).

Japan's central aid agency (the O.E.C.F.) has questioned the orthodox assumption that market forces are fully reliable. It asserts that the market mechanism "cannot handle various issues properly" (Overseas Economic Cooperation Fund, 1991:10) and that "various factors other than efficiency must also be taken into account" (Overseas Economic Cooperation Fund, 1991:3). One Japanese official explains his skepticism regarding neoliberals: "It's really incredible. They think their economic framework is perfect. I think they are wrong" (Overseas Economic Cooperation Fund, 1991:10).

These Japanese officials also noted that "assuming that the financial sector in developing countries is similar to that of developed countries is not appropriate" (Overseas Economic Cooperation Fund:10). As Wade (1994:3) contends: "the institutional context within which policies are implemented is as important to their success or failure as the policies themselves". Any visitor to Nicaragua can see that things are run differently than in the North, so it is not surprising that policies that are often created in the North, and based on universalistic assumptions, often do not mesh well with the culture or structure into which they are inserted. The local context must be kept in mind when policy decisions are made, and the peasants themselves know this local context better than anyone. Policy makers are often not from the countryside and may not have an adequate understanding of the peasant lifestyle and mode of production, and thus it may be difficult for them to understand how to increase agricultural

production effectively. For this reason, studies such as these that focus on the peasants' voice are useful.

One of the most problematic aspects of SAPs is the overwhelming focus on domestic policies as the root of the problem. Although it is accepted that international factors also play a role, there seems to be a lack of recognition of this aspect of the problem, thus solutions are usually sought primarily at the domestic policy level. While domestic policy changes are often important, this excessive focus on fixing the balance of payments problems of each individual country via domestic policy changes tends to mask the international aspects of the problem and this often downplays any discussion of the need for international policy responses.

While domestic issues are the focus, the agro-export sector tends to dominate the discussion surrounding the agricultural sector and adjustment. The fact that peasants are often not explicitly included in the analysis at the policy making level is significant in that it reflects the blinders that many -- both on the right and the left -- have towards peasants. For example, I went to a conference this year on the prospects for the Guatemalan economy now that peace accords have been signed. After a day and a half of discussion, I asked how the delegates could possibly justify talking about the Guatemalan economy without mentioning the word *peasant* once. Though this is only one example, I find this attitude towards the peasantry quite common, and it is likely that the same would have happened if the conference were about Nicaragua.

This lack of understanding of the peasant economy is also reflected in the often implicit assumption that these policies affect men and women in the same way. In fact, there is a wide body of literature which suggests that neoliberal adjustment is in fact highly gender-biased (Elson, 1995, 1990; Haddad *et al*, 1995 etc). Women are often adversely affected because they

often have to do extra work and assume additional responsibilities when the state reduces the services it provides. For example, Elson (1990:11) points out that decreasing state expenditures on health care budgets often leaves women to take up the slack in nurturing and family members when they fall ill. When a child is sick and there is no medicine or hospital care it is usually the mother who puts in the long hours providing home care. Chapter Six, which discusses education and health in Post-1990 Nicaragua, covers this issue in more detail.

Another difficulty is the predominance of GDP as the indicator of economic well-being. Many, including Cobb *et al* (1995), argue that while GDP is a good measure of production, the sum of total economic value-added, it is not necessarily an ideal measure of economic welfare, as it assumes that the marginal benefit of increased production is always positive. The main problem is that GDP neglects to subtract those transactions that ultimately have detrimental effects on the economy, and society as a whole. In this way “the happiest event is an earthquake or a hurricane” because the huge cost of repairing the damage after such events increases GDP (Cobb *et al*, 1995:65). In addition, GDP does not account for the depletion of natural resources. If export production in Nicaragua ravages the land, this increases the country’s GDP, but the negative effect on future production is not taken into account. Neoliberals tend to go even further by assuming that increases in GDP are also increases in overall social welfare, but GDP gives no sense of the distribution of growth. Though all of the intricacies of the debate surrounding GDP cannot be raised here, the point is that the IFIs’ continued reliance on this measure leads people to think that the situation is improving, when in some cases such growth patterns are not sustainable, and in fact are highly detrimental to the environment, the local population, and future production. Other measures of economic welfare have attempted to take

these important factors into account, such as the Index of Sustainable Economic Welfare, advocated by Herman Daly, former economist at the World Bank (Daly and Cobb, 1989).

Perhaps the most unrealistic assumption is that neoliberalism offers a new approach: "the claims that neoliberals make that they have discovered a novel and creative formula for dealing with the development problems of Latin America reflect a form of collective historical amnesia" (Petras and Vieux, 1992:44). Sachs (1989:29) reminds us that "the sobering point is that programs of this sort have been adopted repeatedly and have failed repeatedly in the countries under investigation in the past thirty years". For example, the collapse of the Mexican economy in 1994 indicates that these policies should be applied cautiously, especially since Mexico had *eleven* structural adjustment loans prior to the peso crisis (Krueger, 1993:6). Broadbent (Globe and Mail, August 2, 1996) has also commented on the folly of historical amnesia: "the laissez-faire economics of the 1920s was largely responsible for the 1930s. Surely we must not wait for another such global political and economic crisis". We would do well to *assume* that such an event may well take place, and take steps to avoid such a calamity.

Unequal Income Distribution

Many people in both the North and South are showing increasing concern about the possibility that current policies and structures are failing to deal with the growing disparity between the rich and poor -- both within and among nations. Indeed it is this growing disparity that is, in part, fuelling the possibility of an even deeper crisis. At the beginning of the debt crisis Killick and Sutton (1982:31) noted that "the worst aspect of present day disequilibria is that they tend to increase the global concentrations of income and tend to affect most seriously poor

countries". Sachs (1989:11) also reminds us that the economies of Latin America have long been "deeply driven by great inequalities of income" and that this has probably increased in recent years. Certainly Nicaragua is not the only country in the region to experience widening disparities. In 1980, before these policies were pursued in most Latin American nations, about a third of the region's total population was classified as poor. By 1990, nearly a half of all Latin Americans were considered poor (Vilas, 1996:16). In other words, even if there are macro-economic gains, there is no guarantee that the majority of the population will benefit. Though GDP grew from the mid-1980s on in many Latin American countries, poverty levels often increased at the same time, so that "it became clear that structural adjustment does not by itself reduce poverty" (Vilas, 1996:16). Nor is this unique to Latin America. In Ghana, the so-called 'show piece' of the IFIs in Africa, GNP has increased while income for the majority of the poor has decreased (Osei-Kwadwo, 1996:213).

According to the IMF view, balance of payments deficits always tend to be seen as reflections of the fact that "aggregate demand can rise to unsustainable levels" (Kahn and Knight, 1985:4). This readily leads to the conclusion that this problem must be addressed by some form of expenditure reduction or "reduced absorption". The problem, as de Groot and Plantings (1993:153) argue, is that the burden of these expenditure reductions falls to a large extent on small and medium producers. Gorostiaga (1994:9) contends that in Nicaragua decreasing consumption is not a sensible solution since per capita income is already one of the lowest in the world, and is now 50% lower than it was in 1977. Moreover, since 1990, income distribution in Nicaragua has become much more unequal, with a small elite sharply increasing the consumption of imported luxury goods (Evans, 1995:218). In this way, some of the decreases in government

expenditures that were supposed to fix the balance of payments deficit were offset by increased imports (Evans, 1995:45). If one wants to curb consumption then, perhaps policy measures should be directed towards the elite, who do sometimes have unsustainable demands, rather than towards peasants whose consumption levels are far from excessive.

To be sure, addressing the problem of income distribution is no easy task. Both the IMF and the World Bank resist confronting the issue. The World Bank (1988:53) rejects including income distribution in its analysis on the grounds that it is simpler not to: "It is easier to link policies to intermediate targets such as export performance and industrial efficiency, than to final targets, such as income and well being". If policies are not explicitly linked to these final targets, what confidence can people have that this policy regime will improve income and well-being?

The IMF (1990:9) confesses that it does not deal directly with this important issue either:

While questions of income distribution do not form part of the IMF conditionality, the IMF attaches considerable importance to improving programme design to protect the poor from the possible short run adverse effects of economic policy reform. The IMF, upon request, explores with the authorities the distributional consequences of alternative approaches to such reforms.

If it is not a condition, one wonders how many government elites ask for the IMF's help in this regard. One could argue that if any condition is to be attached to adjustment lending, it should be that any benefits of reform be distributed among the populace. On the other hand, one could also argue that there are risks involved in having an external agency set standards for income distribution. Ultimately, national governments should do so upon their own volition, but unfortunately they are not always willing to do so.

Osei-Kwadwo (1996) contends that these programs could promote growth *with* equity, rather than growth *then* equity. In Nicaragua the motto of development economics, "trickle

down" has been turned on its head: the model pursued seems to foster "trickle up" economics (Envío, December 1994:34). Streeten *et al* (1981) argue that there is no evidence that the basic needs approach decreases productivity, and that meeting basic needs accelerates, or at least does not retard growth. The energy of the peasant sector needs to be stimulated and harnessed if these policies are to succeed, but it is only possible to increase production if one's basic needs are being met. One way to do this, as the IFIs rightly stress, is to ensure that real producer prices increase. However, as later chapters detail, the conditions necessary for Nicaraguan peasants to take advantage of price incentives do not currently exist.

Heller (1988:32) asserts that, at least in the short run, inequality is unavoidable: "During the process of adjustment it is inevitable that some social groups gain while others lose". The World Bank (1988:47) concedes that certain vulnerable groups are hurt by cutbacks in social spending: "the old, infants, lactating and pregnant women, and landless and poor farmers" make up this group. The irony is that in Nicaragua (and in fact in most countries in the world) virtually the only people that do not fall into one of these categories are middle-aged, middle or upper class men! And due to the downsizing of civil services, middle class men are also being adversely affected. Vilas (1996:16) argues that neoliberalism "isolates poverty from the process of capital accumulation and economic development, and reduces the solution to designing specific social policies". This is evident in the IFIs' support of programs which are delivered to a small segment of the population, but since these so-called "poverty groups" make up the vast majority of the population, they cannot possibly all be "targeted". Vivian (1991:55) has argued that these specialized programs can become "social tranquillizers" because they appease the population so that people do not demand more fundamental change.

This is not to say that providing special services for particularly marginalized groups is unhelpful. The point is that these issues must be addressed holistically, rather than with a piecemeal approach that does not recognize the magnitude of the problem. Though it is significant that the IFIs recognize that certain groups are more adversely affected by these reforms than others, the way in which they deal with the resulting disparity is questionable.

The World Bank (1992:25) has argued that low income countries "have no choice but to stay the course of adjustment if they want sustained high growth". This statement reflects the fixation with growth that permeates much of neoliberal thought. The World Bank must accept that it needs to respect the social and political realities in these countries if it wants them to stay the course of adjustment. Thus, in a weak, war torn economy like Nicaragua's, growth *is* important, but the nature of that growth must be specified, and it must occur in a form that allows for better distribution of that growth. While its policies promote growth, neoliberal development often conflicts with the needs and desires of large parts of the population, including most of peasant sector. Many Nicaraguan peasants probably do not want the lifestyle that neoliberalism promotes, and they would likely agree with Nina Picari, an indigenous leader from Ecuador, who expresses this sentiment clearly:

Even if structural adjustment worked just the way they promised, it is not offering us anything we want. We do not want to be employees in the city or on an agro-export farm ... our vision of development is different and it needs to be respected (cited in Oxfam America, 1995:5).

At the same time it is unfair to assume that peasants are content with the status quo. Though their demands tend to be simple, peasants do want to increase their standard of living. It is safe to say, however, that most peasants want to do so within the context of peasant production, and

thus they resist full proletarianization. Most do not want to become full-time workers in either the agricultural or the industrial sector. While structural adjustment does not necessarily even lead to the type of development Picari speaks of, as the following chapters suggest, many Matagalpan peasants fear that statements like hers are a premonition of their fate.

While much of this thesis contests the claim that these policies will benefit the peasantry, the evidence suggests that a small elite in both the North and South have benefited handsomely from these policies, often to the detriment of the majority of Nicaraguans. On the one hand, this policy regime allows the global financial elites to ensure that economies are "adjusted" in ways that best serve their interests. By enforcing the establishment of increasingly open markets, elites in both the North and South gain access to cheap labour, resources, markets and land. Daniel Nuñez, president of the Union of Farmers and Cattle Ranchers (UNAG), argues that the Nicaraguan economy is now in the hands of "international pirates" (cited in Valle, 1996:8), and although this may sound exaggerated, one can argue that people are justified in being critical of a model that encourages impoverished nations to export its food while its citizens suffer from hunger and malnutrition. However, it is interesting to note that only one of the peasants with whom I spoke mentioned the IFIs. In the eyes of the peasants, it seems that it is "the government" that is to blame.

It seems that the Chamorro government did not learn from the Somozas who lost power partly because they alienated a large portion of the country's elite. I spoke with a number of large land owners and other members of the elite who felt betrayed by the current system. The general sentiment in Nicaragua today is that the few people who are benefiting from these policies are either in the government, or have close connections to influential people in the

government.

Though it is recognized that some may benefit more than others as a result of these reforms, advocates of neoliberalism often contend that any social dislocations caused by the introduction of SAPs are merely the short-term costs of adjustment. It is generally argued that these adverse effects should be surmounted -- according to Killick (1995:70) -- by the third year of reform. In Nicaragua, however, this is year six (or year eight, if one counts the reforms introduced by the Sandinistas) and recovery is yet to come. In fact, many Nicaraguans say that things have never been so difficult. Though it is hard to believe that a country could be in worse shape after the ending of a war and an economic blockade, the following chapters offer plenty of evidence to suggest that this is indeed the case.

Chapter Four

THE MYTH OF GROWTH: Peasant Production in Post-1990 Nicaragua

The previous chapters lay the groundwork for the rest of the thesis that delves into what is happening at the grassroots level in Matagalpa. Most literature on structural adjustment speaks to macro issues -- the debt crisis, policy reform -- the types of concerns that have been raised so far in this thesis. Rarely does one get to hear the voices of those that are being *structurally adjusted*. Much of the rest of this thesis focuses on the 110 household surveys from Matagalpa, as well as the analyses offered by community leaders and others that I interviewed.

This chapter starts with a brief overview of general production trends at the national level. This is followed by a discussion of the peasant mode of production, and how it differs from commercial agriculture and why this makes it difficult for peasants to respond to market-based policies. Once these macro issues are discussed, I turn to the data collected in Matagalpa. The chapter closes with an exploration of what the future holds for peasants in an increasingly globalized and agro-export oriented economy. The main point of the chapter is to illustrate that although the IFIs predict that peasants benefit from these policies, on the whole this has not transpired in Matagalpa. In fact, there is some evidence to suggest that even some large producers have had difficulty increasing production under the current policy regime.

The Macro Picture

The data from Matagalpa, which shows a picture of depressed growth, is not a mere anomaly in the country. As was just noted, though the introduction of neoliberal policies cannot be held solely responsible for the subsequent unimpressive growth rates, it is not likely that it is a

mere coincidence that between 1990 and 1993 the country's GNP decreased 9.9% (Avendaño, 1994:3). In 1993 the GDP per capita was 71% of the 1985-1989 average (Hansen-Kuhn, 1995:2). These statistics are even more meaningful when one recalls that this was the post-war, post-economic blockade period -- when Nicaragua was given access to structural adjustment loans. One would have expected these factors to create a more positive situation. While real GDP increased 3.2% in 1994, growth in per capita GDP was flat (Hansen-Kuhn, 1995:1). Since then, indications are that GDP has increased slightly, though population growth continues to counter-act the full extent of these gains. However, indicators such as GNP often fail to reveal the true depth of the crisis of the peasant sector. Insofar as peasant production is included in the national accounts figures, it is based on rather crude estimates, often linked to population growth, and assuming constant levels of activity per capita. Real declines in economic and social welfare are recognizable only through rising levels of malnutrition and hunger.

Spoor (1994:518) offers an analysis of the post-1990 agricultural sector that fits well with the argument that runs throughout this thesis:

Apart from minor improvements in terms of production or marketing, *laissez-faire* policies toward agriculture and food markets have contributed to stagnation and contraction. In spite of the underlying assumption that an "invisible hand" would let markets work, most agricultural and food markets have become remonopolized by powerful strata of the private (and previous state) sector and are "low volume, high profit" markets with poor infrastructure and low investment levels.

Along the same lines, Evans (1995:39) contends that under the Chamorro government large agro-export farmers did not expand production, and that basic food production declined (Evans, 1995:7).

Other studies indicate that it is not unusual for countries undergoing this kind of

economic transformation to experience a significant drop in GNP growth rates, especially in the first few years of the reform process (Mosley *et al*, 1991:193). Indeed, in a number of other Latin American countries, the introduction of these policies nearly ten years before Nicaragua implemented them coincided with a "step backward" in GDP,² in salaries in real wages, and in a number of other social indicators (Petras and Vieux, 1992:27). Six years into the adjustment process there is no indication that the Nicaraguan economy is likely to suffer any less than so many other Latin American economies have done.

One reason why market-based economic policies fail to produce a supply response from the peasantry in Nicaragua is that commercial agriculture is at odds with many aspects of peasant production. Schejtman explains the difference between commercial and peasant agricultural production:

The concept of the peasant economy encompasses that sector of domestic agriculture activity in which family-type units engaged in the process of production with the aim of ensuring, from one cycle to another, the reproduction of their living and working conditions, or, to put it another way, the reproduction of the producers and the unit of production itself. Achieving this objective means generating, firstly, the means of subsistence (biological and cultural) of all members of the family, active or not, and secondly -- over and above those needs - a fund designed to pay for the replacement of the means of production used in the production cycle and to deal with the various eventualities which may affect the existence of the family group (illness, expenses for formal occasions, and so on).

The operating logic ... which governs the decisions concerning what, how and how much to produce and what to do with the product obtained, falls within the framework of the objectives described above, and gives the peasant economy its own rationality which is distinct from that of commercial agriculture. ... In this regard then, we would appear to be faced with two distinct forms of social organization of production (1988:366).

²I refer to both GNP and GDP depending on the source that the information comes from.

These two paragraphs describe the Matagalpan framework quite well: Matagalpan peasants work as a family unit for both production and consumption, and as well as meeting their basic subsistence needs, the logic of their productive cycle necessarily includes a fund to cover any unseen costs for health care, education etc. However, I would qualify Schejtman's analysis by arguing that, although the two forms of production, (commercial and peasant) are distinct, they are not entirely separate, as he suggests. The "dual society thesis" is false (Frank, 1988:110) because the two forms of production are deeply interconnected in Nicaragua, and in many other countries in the region. Peasants often rely on the money they earn working as day labourers on large commercial agricultural farms, in order to finance their own production or consumption, and commercial farmers are in turn, dependent on the peasants to work on their farms. Because of the strength of this relationship, the peasants of Nicaragua are already tied to the market economy. Most are no longer traditional subsistence farmers.

However, because peasant culture and the peasant mode of production are unique, the effect of a decline in the level of production and of economic activity is not the same as when a wage worker loses a job. Often such a decline can threaten an entire lifestyle that peasants hold dear. People are mistaken if they assume that peasant and commercial production patterns are fundamentally the same. In fact, according to Campos, an important peasant leader: "All the development models failed precisely because they hadn't taken the *campesino* into account. They didn't understand or know about our experience and belittled our culture of production, our organizational process" (cited in Torres Escobar, 1994:31). The fact that peasants derive their very identity from living on the land and growing things, is often left out of the analysis at the policy making level.

Production in Matagalpa

The background information provided above sets the stage for the more detailed look at how production has fared in Matagalpa since 1990. The surveys indicate that production, of both basic grains and livestock, has not improved for the majority of those in the study group. Though other factors that are not strictly related to the adjustment policies being pursued in Nicaragua have played a part as well (such as rain fall and changes in the international market), the picture that emerges from this research does not support the hypothesis that neoliberal policies lead to growth in the peasant sector. After the production trends are presented I examine the various reasons the peasants give for changes in production levels in Matagalpa, including the decline in government support towards the peasant sector.

To reiterate what I noted in the introduction, despite the findings of this research, there is no way to accurately determine the extent to which the adjustment policies implemented in Nicaragua since 1990 have affected production levels. In agriculture there are many variables, such as weather, that can significantly affect production. Moreover, the time-frame for this analysis is quite short. It is unrealistic to think that a study of a six-year period in one region can offer definitive evidence concerning production patterns. However, even if one could come up with convincing evidence that structural adjustment was not at all responsible for the over-all decrease in production, these policies have certainly not done what they claim they will do: even after six years these policies have yet to induce a supply response from most peasants. This is indeed a very sad state of affairs because as one peasant exclaimed: "We are all losing now because there is no production. Nicaraguans like to produce. We are lovers of production"

(Juan: Interview, May 26).

Basic Grains

Table 1: Proportion of respondents reporting changes in output between 1990 and 1996

Crop	% Increase	% Decrease	% No Change
Beans	23	40	37
Corn	25	42	32
Sorghum	12	20	68

The majority of the peasants I surveyed said that their production of beans and corn and sorghum is either the same or worse than in 1990. However, approximately 25% noted that production of beans and corn has improved. Perhaps the point here is that a minority of peasants can benefit under the current model, while approximately 75% are faced with stagnant or decreasing production levels. This could mean a widening of the income gap between those peasants that are better off and the rest of the peasant population. However, because the over-all mood among producers was so negative, I was actually surprised when the statistics showed that a full 25% had seen an improvement in production. I only surveyed one household that was noticeably enthusiastic about productive possibilities.

Some of the key variables that have affected the peasants' ability to produce a supply response are: increased cost of inputs, rain levels, access to land, and decreased access to credit. When asked about the main impediments to the increased production of basic grains, 52% of the respondents cited the high cost of inputs, such as fertilizer, insecticides and seeds. Nicaraguan peasants have become highly dependent on imported inputs, which in turn makes them more

dependent on the market system: "the more the peasant unit depends on purchased inputs and goods for its reproduction, the greater (other things being equal) will be the role which market considerations play in decisions on what and how to produce" (Schejtman, 1988:372). While increased interaction with the market is not necessarily problematic, it is unfortunate that peasants have to depend on imported inputs, especially since the steady devaluation of the Córdoba has caused the relative prices of inputs to rise (Evans, 1995:9). Most of those surveyed explained that they now require between 800-1000 Córdobas (about 100-125 dollars U.S.) to adequately maintain one *manzana* (0.7 hectares) of basic grains, and although some peasants produce enough surplus to finance the following year's production, most do not.

For a variety of reasons, that are elaborated upon in Chapter Five, peasants have less liquid capital to pay for inputs. Some peasants said that "we are not going to plant anything because we do not have money for inputs" (Survey, April 9). Even the most basic input -- seeds to plant -- was scarce:

Production has decreased a great deal -- even if the government says it has not. We know intimately that it has decreased. The time for sowing our crops is coming, but look, we don't have the seeds. I have the land all ready but I am going to sow by faith because I do not have any corn to plant with (Andrés: Interview, April 24).

This producer, who is a community leader in Real de la Cruz, noted that even those peasants in his community who are able to plant, often plant less than in previous years: "We are going to sow, but just a little. Those that used to plant two *manzanas* will now plant one" (Andrés: Interview, April 24). One producer said that the thirteen members of his cooperative have been renting out their land for two years because they do not have money to work the land (Survey, March 21).

As a way to reduce their losses, some peasants are switching from corn to sorghum.

Sorghum, which is more reliable as it can withstand harsh weather conditions, may keep families on the land for now, but peasants ultimately cannot survive on sorghum alone. Moreover, peasants generally do not like to eat sorghum as they consider it to be animal feed. In addition, it does not fetch as attractive a price as corn or beans in the market place.

Another problem is that fertilizer is more expensive than it was in 1990, thus "[s]ometimes we have money to buy seeds, but not enough for fertilizer or pesticides. When we plant, the insects eat everything" (Andrés: Interview, April 24). This problem has become more serious since many claim that the land has become so over-worked that without the use of fertilizer production is low. Some people have been producing on the same land for many years, and the soil has become depleted of nutrients. Two very withered grandparents lamented that "the land is tired just like us" (Survey, April 18). This in turn has affected production levels:

Production is very low. Perhaps because the land is tired. The land has been eroded by the rain, it is getting weak. You have to use more fertilizer now. To fertilize tired land well you have to put six bags of fertilizer. But because of lack of money people only put four. So production decreases (Diega: Interview, March 24).

Insect infestations are thought to have become more serious because many people cannot afford pesticides, thus a full 37% cited this as one of the main obstacles to increased production. One peasant expressed concern about their growing dependance on such products: "When the herbicides came we took on a bad habit but we didn't know any better" (Juan: Interview, March 15). It seems that many peasants did not realize the longer term consequences -- both to the environment and their "pocket-book" -- of relying on chemical products. Another peasant suggested that the use of chemicals (fertilizer, insecticide etc) has changed the environment so

that there has been an increase in insect infestations (Survey, April 9), however, this may also be due to the narrowing of the gene pool due to the introduction of “new breeds” which is known to increase susceptibility to pests.

Through UNAG's programme *Campesino A Campesino* (Peasant to Peasant), people have been learning to use organic fertilizers, but in practice “[i]t is difficult to learn how to use organic fertilizer because there is no time or money to begin” (Survey, April 16). The daily struggle at the margins of survival makes it difficult for peasants to make the changes needed to work in sustainable ways. Despite UNAG's efforts in the countryside, some complain that “There is a lack of technical assistance for small producers” (Eusebio: Interview, April 24).

Erosion caused by too much rain is also a problem. In 1995 production levels were exceptionally low due to excessive rain: “Last year we did not produce anything. We lost it all because of the abundance of rain” (Natividad: Interview, May 3). Most years, however, lack of rain is a much more serious issue: “There is no water -- everything depends on water” (Survey, March 22). Of the factors leading to changes in production levels, lack of rain was the most commonly reported concern: 61% of the peasants stated that lack of rain is a major factor contributing to low levels of production. Much of the research was conducted in the “dry zone” of Matagalpa, and peasant producers depend on the rainy season for water, as most peasants cannot afford irrigation. In the spring I was there, the rains came late, and many people were very concerned as some had planted too early and the sun had dried out their seeds. When the rains finally came, everything seemed to turn green within a matter of days, and one could almost hear the collective sigh of relief among the peasants.

Though neoliberalism obviously cannot be held responsible for the rain, there is a

connection between the economic crisis and rain levels. Some peasants are cutting down trees to sell as fire wood, and although this is not a new practice, Consuelo claims that it has become more common since 1990 (Interview, March 27). Deforestation -- which tends to cause a decrease in rain -- has affected the levels of rain that peasants expect in the "winter" rainy season: "The community has been multiplying, so people have been cutting wood, burning, destroying the community. For this reason the winters have not been normal" (José: Interview, April 29). The underlying point is that the neoliberal model does not seem to adequately address the critical issue of the peasant sector's access to water nor the impact of its policies on the environment, and this curbs the potential supply response.

As it is often assumed that lack of land is a serious impediment to increased production, it is interesting that the need for land was one of the least common concerns: only 18% of the households indicated that land was a key missing factor for increased production. Even though in the long run some peasants could certainly use more land, under current circumstances, land is not the binding constraint. Most of the peasants surveyed are finding it difficult enough to finance the production of their existing land base.

Another factor contributing to changes in production has been the decrease in access to credit: over 45% said that this had affected their ability to produce basic grains. The desire for credit for livestock was significantly less at under 9%. This may be because peasants feel the need to concentrate on meeting their basic consumption needs first. The issue of credit is discussed in Chapter Five.

Other Crops

Because only a small number of peasants in the communities surveyed grow vegetables and coffee, I only spoke with a few such producers. The main concern they raised is price stability. As Chapter Five indicates, basic grain producers share this concern, however, it is even more of an issue with fresh produce. The price of vegetables tends to fluctuate rapidly, and if a producer does not have the capital to get the produce to market on time, the price can fall so low that it is cheaper to let it rot in the field than it is to take it to market (Survey, March 21).

Producing vegetables is not only risky, but it requires much more capital than either basic grains or cattle. However, if a peasant can surmount these obstacles, producing vegetables potentially has a much higher profit margin (Survey, March 21). Perhaps it is for this reason that the IFIs tend to support the production of such non-traditional products. The problem is that most peasants in Matagalpa simply do not have the capital, the stability or security to engage in such risky activities.

In the future, if the conditions were more conducive to peasant production, many Matagalpan peasants would likely take up such activities. Even still, I am certainly not suggesting that increasing the supply response from the peasantry is a simple task. Improving production of basic grains is enough of a challenge, let alone increasing the production of new products. In later chapters I present the general conditions that the peasants deem necessary to increase production, but in terms of the production of non-traditional exports there are some important issues at stake. First, peasants need proper technical support so that they can learn how to produce these new crops. Access to irrigation and financing are also serious concerns. Lastly, many peasants will only enter the non-traditional market if they can produce basic grains

for subsistence at the same time. Until these conditions exist, however, it is unlikely that very many of the peasants I surveyed will increase or begin the production of non-traditional exports.

Livestock

Table 2: Proportion of respondents reporting changes in livestock production between 1990 and 1996

	Increase	Decrease	Same
Chickens	10	55	34
Pigs	17	46	37
Cattle	26	56	17

As table 2 indicates, most peasants state that the numbers of all animals kept -- chickens, pigs and cattle -- have either dropped or stayed the same since 1990. The changes in terms of cattle are the most meaningful because, along with land, they are the Nicaraguan peasants' most valued asset: "Cattle are the salvation of Nicaragua" (Survey, March 9). The desire to own cattle, even just one cow, goes deep. People's eyes light up when they describe how much better their life would be if they had a cow: they could provide their family with milk and cheese, and they could sell the surplus to provide the family's basic needs. Nicaraguans seem to have a deep cultural bond with their cattle. They are justifiably proud of the high quality of their beef, and many do not understand the preference of some for vegetables. To many, an ideal meal is a big beautiful steak. While this may be understandable for people who cannot afford to eat meat often, there seems to be more to it than that. Owning cattle is a symbol of prosperity. It is something concrete that one can count on -- much more than the risky business of agricultural production, at any rate. Moreover, historically, cattle have been one of Nicaragua's major

exports. The Centre For Exportation and Investment (www.cei.org.ni/datos/economia) notes that the cattle sector decreased its share of the GDP by 4% in 1996, though this figure largely reflects production by large farmers, thus it does not reflect the depth of the problem in the peasant sector.

In Spanish the word for cattle, *ganado*, is also the past participle for the verb *to win*, thus one peasant leader noted that "the word says it: ganado" (Andrés: Interview, April 24). In other words, if he could have cattle, he would have won. Many peasants would like to diversify from basic grain production into the more lucrative raising of cattle, especially since much of the land in Matagalpa is ideal for cattle, but as with vegetable production, this requires capital outlays that constitute an insurmountable barrier for most people.

Given the cultural and economic importance that peasants attach to their livestock, the fact that a remarkable 51% said that they have had to sell their animals in the past six years is evidence that this has been a period of significant hardship. This is further confirmed by the reasons they gave as to why they have had to sell their animals: they needed money for food, for inputs, for land, for health care and education -- and for other immediate needs. Moreover they have done so despite noting that the selling of animals does not provide the same benefits as before: "Before when I sold a chicken it covered my basic needs" (Survey, April 8). In fact, relative prices for most livestock were widely thought to have deteriorated.

In selling their animals, peasants are liquidating their capital and weakening their over-all economic position, bringing to mind the first stages of the well known vicious cycle of poverty: "It is worse now that we have sold every thing to meet our needs" (Survey, March 12). One family owned ten cows in 1990: now they have just one. Most people have sold off these

resources under duress: "When one is without money there is nothing to do. You have to sell what you have" (Survey, April 17). "Now we have to get rid of what we have to go forward" (Survey, May 2). In general the capital base of the peasant households in the survey has decreased dramatically between 1990 and 1990, leaving them far more vulnerable. After all, livestock "fulfils the function of insurance against poor harvests or the adverse result of a risk taken" Schejtman (1988:390). One can only wonder what Matagalpan peasants will do in a few more years when there may be no more animals to sell. Perhaps then more peasants will sell bits of their land. This would not only further undermine the peasant sector -- it could hail its ultimate demise.

Although less meaningful than the changes to cattle, peasants note that the production of other livestock has decreased as well. Just over 20% of the households felt that the number of chickens and pigs had decreased because they did not have, or could not afford, feed. Only those families that have enough food to eat themselves can afford to keep many chickens and pigs. Nonetheless, most families have at least a few chickens, to ensure that they eat eggs from time to time. The number of pigs is especially low because, as one peasant said with a grin: "they are pigs!" Pigs actually do eat a lot, and when production is low, they are especially difficult to maintain.

Nicaraguan women peasants always refer to "my" chickens; the raising of chickens and pigs is definitely a woman's domain. The President of the women's section of UNAG, Marta Valle (Interview, May) notes the important role that woman play in keeping peasant families alive in times of crisis:

We had a saying in the Revolution: it was that in the most difficult moments we

(women) are the vanguard because if you look at a rural family where the man has no work, and no credit to produce, the woman makes bread, collects eggs: it is the woman who is subsidizing a limited miserable economy. The woman suffers the total impact of any economic crisis in any country.

Babb (1996:28) concurs with this analysis and contends that "women are functioning as shock absorbers for these measures". Women end up working "double days" in and outside the home to fulfill both the productive and reproductive functions of the family. Thus in some instances the supply response is augmented by women performing additional work, but sometimes the extra burden that women bear results in decreased output. One man noted that the number of chickens and pigs had decreased because his wife had to seek work outside the home, and thus had less time for the animals.

Lack of Government Support

While under the Sandinistas peasants often complained about excessive state intervention, today the lack of government support seems to be the crux of the concern in regards to the government. In fact, many peasants are puzzled and frustrated by this turn of events: "I do not understand why the government does not support the peasant sector, knowing that the country is clearly agricultural" (Andrés: Interview, April 24). Many point to this as a major reason for the decrease in production levels: "Every day it gets worse because there is no support from the government" (Ismairi: Interview, March 22). Elsewhere, MacLean (1996:8) has argued that "the complete lack of any policy to support the agricultural sector had a negative effect on peasant production", while Nuñez has maintained that the Chamorro government lacked a clear policy towards the countryside, and that this has contributed to the over-all decrease in

production levels:

We can produce all that we need, however, there is no economic policy directed to the countryside. This is a big problem. There are 600,000 *manzanas* of pasture with no cattle on them (Interview, May).

Lanza, the director of the Association of Coffee Growers of Matagalpa, feels that decisions are being made to benefit government Ministers -- to the detriment of production:

Here the most important Minister should be that of Agriculture and Cattle, but the Minister of Foreign Affairs is the most important. We call him the "Begging Minister". It embarrasses us that he goes off asking for money instead of seeing how to produce more here. Now any beach in Nicaragua has a paved road. Matagalpa and Jinotega produce 60 -- almost 70% of the coffee in Nicaragua. That road should be made of gold. Also cattle, coffee, fruit and basic grains come from the Atlantic Coast via that road. But the Ministers don't come here, they go to the beach (Interview, May 18).

Some peasants believe that current policies are deliberately designed so that peasant production remains unviable: "With today's policies no producer can say that they have a chance to improve, even with cattle ranching -- the surest thing is that a peasant will lose" (Omar: Interview, April 15). Indeed, this sentiment was rampant among Matagalpan farmers: "We the producers, we are guaranteed to lose" (Survey, March 22). However, a few peasants conclude that although this may be so, there have been no significant changes in terms of government policy towards the countryside: "The state has never been present here -- not before, not today" (Survey, March 14).

Summing Up the Production Conundrum

Many peasants note the speed at which the changes are taking place: "The changes have been brisk ... production has diminished drastically" (Omar: Interview, April 15). The data above

confirm this point: in only six years over-all production levels in Matagalpa have fallen and do not appear to be improving: "So the harvest is decreasing as time goes on" (Don Martin: Interview, May). It seems that once a peasant family has a bad year or two, it is difficult to get back on track; the setbacks compound, triggering a downward spiral. This contradicts the frequent claim that the pain associated with adjustment is presumed to be merely short term. In fact, once peasants no longer have money to pay for productive inputs, it is very difficult for them to increase production levels again, or even to survive. As I have said before, one of the most surprising things about Nicaragua is that despite the ending of a long war and an economic blockade, production is now more difficult for many: "Even during the war we were able to produce. Now there is no war but it is more difficult to produce" (Ines: Interview, May 14). In fact, the crisis in production that is presently occurring in Nicaragua would be considered a severe recession in any Northern economy, and would therefore be cause for great concern.

Different explanations exist for the crisis in production in Matagalpa. On one hand the agro-export sector seeks to ensure a secure labour pool, and peasants are not as reliable for this as landless farm workers. On the other hand, peasants also represent relatively cheap labour to capital: "If the peasantry has not yet been altogether replaced with wage-labour agriculture, it is because of the significant benefits that capital derives from the persistence of a large class of self-employed peasants" (Buckles and Chevalier, 1995:173). Since peasants obtain part of their costs of reproduction through subsistence production, they can be paid wages below this minimum, and as a result, the peasant sector supplies cheap food to the urban areas (Schejtman, 1988:379).

This entire situation might make sense if the peasants had plenty of access to work on agro-export farms so that only their own production was jeopardized in order to allow the "more-

efficient” production on these farms to expand, but peasants repeatedly referred to the fact that it was increasingly difficult to obtain work as a “mozo” or day labourer. In Nicaragua it seems that capital is not taking advantage of the abundance of available labour -- of both peasants and landless labourers. In fact, as the section on work in Chapter Five explains, it appears that the number of people who would like to work as day labourers on large agro-export farms exceeds the number needed to ensure a reserve army of labour. It is useful to have a buffer of people that are willing to work for low wages, but at some point it is inefficient to have so many unproductive people -- and Nicaragua has certainly passed that point. The situation is clearly terribly inefficient, as an incredible productive potential -- both in labour and land -- is being left dormant. Many peasants just shook their heads in disbelief at these developments.

Buckles and Chevalier’s account of the Mexican peasantry’s experience notes that much of the literature on the relationship between peasants and the market economy ignores “the chronic problems and crises that capitalism creates for itself” (1995:180), and that waste through unemployed human and natural resources is a problem that is endemic to capitalism (Buckles and Chevalier, 1995:169-172). People often presume that this system makes the most efficient use of human and natural resources, but this is not always the case: “These deplorable effects of capital accumulation in agriculture reflect chronic problems of mismanagement costly to the current profitability and future prospects of local and regional capital” (Buckles and Chevalier, 1995:6). In fact, the problem of resource idleness, with underproduction, seems to be intensifying in many agricultural economies. Current trends in global capital markets, concentration of power, and unequal land distribution, among other things, allow a dynamic to take place in which underproduction becomes a chronic problem. This is certainly not the case in all circumstances,

but this argument does seem to fit with the current state of production in Matagalpa. It contradicts the claim -- the myth -- that these policies lead to strong growth in weak agricultural economies.

Though the new policies strongly support agro-export over peasant production, in some cases even the large producers have been negatively affected by the instability associated with the adjustment process. I spoke with one *terrateniente* -- a man who owned 1000 *manzanas* of land - - who was very sad because he had to sell his land because, he argued, he could no longer afford credit at such high interest rates. According to him, many large land holders were in the same state. This does not bode well for the necessary supply response from the agricultural sector as a whole, because, when large producers are in trouble, small and medium producers suffer with them. I do not mean to suggest that agro-export activities have been neglected, as not all large producers are being negatively affected. An economic advisor at the Nicaraguan embassy in Washington explained that the large producers that are increasing production have done so largely through mechanization. Even though the cost of labour is low, many prefer to avoid dealing with workers (Anonymous, phone conversation, July, 1996). As the next section suggests, if this trend continues, it could well marginalize the peasant sector to such an extent that its productive capacity will decline even further.

The Future of Peasant Production

The rhetoric of neoliberalism suggests that the current liberalizing trends are inevitable, and that countries "must learn to succeed through the pursuit of excellence rather than the securing of sheltered markets and fiscal rents. Tough lessons indeed, yet such are the demands of

the brave new world of international competition these countries are seeking to join" (Saborion and Michalopoulos, 1992:21). But if people are forced to face these new situations too abruptly and with too little preparation, the results could be disastrous for them, and inefficient from a macroeconomic and global perspective. And this does not even address the question of whether people want to be part of such a competitive environment.

In fact, the main question that emerges from this research is: What will the role of peasant agricultural production be in this "brave new world of international competition"? One of the most striking trends in both the surveys and the interviews is that so many people insisted that the goal of the reforms is to ensure that peasants work on agro-export farms: "This government does not care about the poor -- they only want us to be farm labourers again" (Survey, March 29). "The policy of this government is for the small producer to work for the rich" (Survey, April 8). "This capitalist government wants to economically cut off the head of us small producers so that we can be slaves to large producers" (Andrés: Interview, April 24). "Their plan is to return to the *latifundistas*" (Omar: Interview, April 15). Indeed it seems that the primary goal of the more radical elements of the UNO coalition was to dismantle the property relations that were created during the ten years of Revolution (Arevena, 1993:41). It appears that the agrarian bourgeoisie have sought to return to the pre-Revolutionary model of agriculture (de Groot and Plantings, 1993:153).

While the orthodox model predicts that neoliberal reforms will benefit the agricultural sector in general, it is large scale agro-export producers that have the greatest potential to benefit from these reforms (Evans, 1995:41). Peasant agriculture is often viewed as a backward "unprofitable" sector that will eventually be absorbed by the modern sector, as has been the case

in most Northern countries (Schejtman, 1988:365). The World Bank (1990(b):93) has argued that “[i]t is now well recognized that integration into the world economy is crucial for development”. While this is not the place to delve deeply into the peasant production versus agro-export debate, there are some points that arise out of the research that are worth raising.

If under current circumstances peasant production becomes so “unprofitable” that a supply response is only possible through high-tech agro-export production, what will happen to the peasants? First of all, this “solution” ignores the fact that peasants enjoy producing on their own land, and that they would prefer to continue to do so, rather than to be farm labourers or city workers. Secondly, even if agro-export is an efficient way of increasing the supply response, it does not adequately address the social and economic ramifications of such a model. The future of the people that are displaced by this form of production is not taken into account, and mechanization in both agricultural and industry has exacerbated this problem.

There are several problems that arise when agro-exports take precedence over peasant production. If increased labour and land is allocated to export production, who will produce the basic grains that sustain the majority of the population? Deere (1981:195) explains what happened when this type of model was pursued by the Somozas in the 1950s: “the consolidation of the agro-export economy took place at the expense of the peasantry and of basic grain production. The peasantry was the primary producer of foodstuffs, but as peasants were dispossessed, their land, formerly devoted to grain production was converted to export crops”. Under such a scenario the importation of basic grains increases, which negatively affects the balance of payments and decreases the food security of the nation.

Since the agro-export model is not labour intensive, another question that arises is, what

will those peasants who do not get jobs on large estates do? Though some peasants will likely be able to stay on their land, experience shows that migration to the city will likely increase. There is new evidence of this even in the small provincial town of Matagalpa; it is much more noticeable in Managua, the capital city. Budhoo (1994:20) claims that SAPs tend to lead to the "devastation of traditional agriculture and to the emergence of hordes of landless farmers in virtually every country in which the World Bank and IMF operate". Peasants often feel the brunt of such a mode of production:

The negative environmental impact of the agro-export model of development has been both direct and indirect. Direct degradation results from pesticides, pollution and contamination, chemical depletion of soil nutrients, and deforestation; while indirect degradation follows from the displacement of large segments of the population to marginal lands where they settle and attempt to farm (Alston and Brown, 1993:186).

Those people who are left to farm on the marginal land in such a context often find it difficult to increase, or even to maintain production. This marginalizes them as members of society, since they eventually become unproductive parts of the economy, when they could have been active, productive members of it, if given the opportunity. Those people that go to the city often suffer because unemployment is high, and it is even more difficult for peasants to find work as their skills are not readily marketable in the city. In such a scenario it seems that the potential productive capacity of these people is not properly utilized.

This is not to say that the status quo is acceptable, but the alternatives that this model offers to most peasants are not very attractive. While change is needed, and adjustments must be made if peasants are going to be able to increase supply, new policies will be most successful, both in terms of production and general well-being, if they keep the true interests of the peasants

themselves in mind. Increasing production is important to peasants, but not if the means of doing so negates the very nature of their existence.

In order to understand how to increase the supply response from the peasants one must explore the obstacles to increased production under current circumstances. This chapter has offered some explanations as to why the supply response from this sector has been so disappointing. The next two chapters delve deeper into the reasons why this is so.

Chapter Five

CREDIT, COMMERCIALIZATION, AND WORK

This chapter carries on from the previous chapter on production, by examining further the reasons why production levels have, for the most part, been disappointing, it also emphasizes how peasants' problems are linked to the neoliberal policies adopted by the Chamorro government. This chapter deals with the three ways in which peasants can gain access to money: credit, selling their own production, and off-farm employment. Most peasants note that, since 1990, there has been a downward trend in all three of these income sources, so that it is getting more and more difficult to raise the necessary funds to finance their agricultural production. The situation became dramatically worse in March 1991, when the Córdoba was devalued from one to one with the U.S. dollar, to five to one, causing the prices of inputs, most of which are imported, to increase substantially. At the time of my research the Córdoba had devalued even more to over eight to one to the U.S. dollar. Even though the neoliberal model may not be solely responsible for the deterioration in these three sources of peasant monetary income, prevailing conditions have done much to destroy the possibility of a positive supply response. The picture that was painted by the respondents was one in which access to credit, the benefits of marketing their products, and paid employment have all generally decreased for the majority of peasants in the past six years.

Credit

"Before 1990 there was a lot of credit. Now only large producers have credit" (Survey, April 8).

"Today not even large producers have credit, let alone peasants" (Agustín: Interview, April 15).

Both tight monetary policy, designed to fight inflation, and financial deregulation lead to higher interest rates, which in turn restricts credit. The neoliberal argument is that this stabilizes prices, assists the balance of payments and directs investment funds to their most desirable use, thus creating an environment conducive to growth (Heller, 1988:8). As credit entails debt, it only makes sense to take a loan if the resulting cash flow allows one to pay it off. Critics of this policy regime argue, however, that “stringent credit restrictions can exacerbate an economy’s underlying problems by constraining its capacity to produce” (Evans, 1995:5), as can the sudden deregulation of financial markets.

In the 1980s credit was quite readily available in Nicaragua on relatively soft terms. This was why the sudden restriction of credit in 1990 caused such great turmoil among peasants, since they had come to rely heavily on outside financing. In effect, the neoliberal reforms were imposed in an institutional situation in which many peasants had come to rely heavily on credit in order to produce their annual crops. As a result of the sharp reduction in the availability of credit, many peasants faced serious crises. The strongest and most resilient are now in a transitional phase where they must learn to finance their production without resorting to credit. Many others are in danger of slipping into extreme poverty as a result. But almost all are, for the moment, having difficulties increasing (and even maintaining) production levels. Over time, the combination of production problems and debt may result in many peasants losing their land.

As well as discussing the decrease in credit, and the stringent conditions imposed on borrowers today, this section briefly examines *Cobanicsa*, or *La Cobra*, as everyone in the country seems to call this new institution that is confiscating land from peasants who are unable to pay their debts. While none of the peasants surveyed have received credit from the banks

since 1990, in four of the five communities surveyed, some peasants had received credit from various alternative sources. The merits and problems of these alternative credit sources are discussed briefly as well.

The Decrease in Credit

The relationship between peasants and credit is always ambiguous. For the most part peasants do not want a "gift", but many people feel that if they had access to adequate credit they "could resolve their own problems" (Treminio: Interview, May 16). Credit can be an empowering tool that allows peasants to develop their great potential. But it will do this only if it is administered properly so that it does not initiate a cycle of dependence, but truly acts as a catalyst for the productive capacity of the household. If policies are too lenient, however, credit can become a crutch rather than a catalyst, and as a result peasants often incur debts they have difficulty repaying. It seems that credit policies in the 1980s were too tolerant, thus ultimately they were unsustainable:

The previous government let the people take on a bad habit by pardoning debts. The policy of this government is not to forgive one cent to anyone. I agree with that. I just don't like the fact that we are all suffering because of those who did not pay in the past. We are all punished. My family was always solvent, but now we do not have any credit so I cannot produce. Production in this community has fallen (Juan: Interview, Real de la Cruz. April).

Spoor (1994:525) also criticizes the former lending practises and argues that under the Sandinistas credit was a major instrument for income transfer, instead of the financial catalyst it is meant to be.

However, current policies have become so stringent that peasants, and even some large

producers, cannot obtain credit at all. The following quote depicts these two extremes: "Before 1990 it was a little better because there were loans ... Anybody could get a loan from the bank. Now in this community nobody gets credit from a bank. Nobody" (Natividad: Interview, May 3). There is a need to strike a balance between these two systems so that credit policies are sustainable and help to foster the productive capacity of the peasant sector.

Restraining the availability of credit is an integral component of stabilization in Nicaragua, and credit to the agricultural sector was slashed by 62% between 1990 and 1995 (Hansen-Kuhn, 1995:2). For example, in 1989 the bank Banades had 115 000 clients who received credit, but because of the restrictions on credit, this number dropped to 23 000 between 1990 and 1995 (Dumazert, 1995:20). Nuñez argues that currently 80% of agricultural production is produced without credit (cited in Valle, 1996:8). The (now deceased) president of UNAG Matagalpa concluded that: "rural credit no longer exists" (Don Chico Javier: Interview, February 22). This sudden change has affected the supply response because, as Nuñez explains, it is now impossible for small and medium producers to finance a significant expansion in production as government policies like to suggest (cited in Valle, 1996:8).

The peasants themselves repeatedly complained of the sharp decrease in the availability of credit since 1990. The real issue, however, is not so much the lack of financing as much as the "impossible" conditions under which credit is available at this point in time. On one hand, the terms of credit are not favourable: the respondents raised concerns regarding the stringent conditions such as high interest rates, stricter pay-back schemes, and increased prerequisites. On the other hand, the environment is not conducive to peasant production, and under prevailing conditions it is very difficult for credit to stimulate peasant production because it is exceedingly

challenging for peasants to earn enough income to repay the loans. From this perspective it may in fact be a blessing that credit is not available to peasants, since if they obtained credit under current circumstances many would likely incur a debt. Many peasants recognize this, but the truth of the matter is that since peasants are heavily reliant on credit, the rather sudden decline left many peasants insolvent. The result is a rather paradoxical situation in which many peasants require credit to produce, yet such financing is not only unavailable, but even if it were, it might be more of a liability than an asset.

Lanza (Interview, May 18) explains the consequences of the loss of credit to the peasant sector:

The main problem is the lack of financing. Without it people can't work. Here in Matagalpa you can see all the settlements on the hillsides -- it is a product of all this. As they cannot work in the countryside, they come to look in the city -- where there is no work either. It is very new. One of these new communities was settled on the 14th of September. There is another that began last month. They show up over night.

I had just noticed these marginal settlements above the town of Matagalpa a few days before this interview. While lack of financing is certainly not the only reason why these people have moved to the city, this phenomenon reflects the classic strategy that peasants employ when they can no longer eke out a living on the land.

Don Martin, a community leader in Dulce Nombre de Jesus, explains peasants' desire for credit:

The problem with production is that because of our poverty we do not have the resources to buy fertilizers etc. Where can we find someone to help us? A company, an institution that says here is so much fertilizer and after the harvest you can pay -- we do not have such a thing.

He goes on to describe why the banks are no longer a possible source of credit for peasants:

If we go to the bank they charge so much money and we can't pay -- so they could confiscate our land. If you take money to save in a bank they pay you very little, but if we go to take out a loan, they charge a lot. Now with the devaluation of the Córdoba, it is even more. So peasants can no longer work with banks because they are the institution that charges the most.

Stringent Conditions

Some peasants note that the conditions for credit under the Sandinistas were much more fair: "before the interest rate was 7-8%, they pardoned debt, and they gave more time to pay it off". Another change is the dollarization of financing: "credit is in dollars so it ends up being more because the value of the dollar changes. Before it was not in dollars" (Survey, April 8). In the spring of 1996 this tacked on approximately 12% to the base interest rate. In addition, peasants must now put up land as collateral in order to obtain credit.

Even with all of these obstacles many peasants have sought credit from the banks, but despite their best efforts, none of the peasants surveyed had actually succeeded. Some people have spent a lot of time and money trying to get credit. One man explained that "Members of the Co-op have sought credit for five years with no results. They paid Bancampo 8000 Córdobas (about \$1000 U.S.) for all the prerequisites but the credit never came" (Survey, March 9).

Lanza argues that the banks do not want to finance small-scale producers simply because they "don't want to take the risk" and "it is just not worth their while to be after so many small producers for small loans" (Interview, May 18). Spoor (1994:530) agrees that banks in Nicaragua today have no interest in the risky grain market. One peasant explained that the banks only want to finance "things that will bring money quicker to the bank" (Survey, March 9). While from the peasants' perspective this reasoning seems unfair, from the banker's perspective

it may be rational to avoid making loans to risky ventures in smallholder production.

The producers themselves admit that agricultural production "carries a lot of risk" (Omar: Interview, April 15). The problem is that the risky production of basic grains is "the activity from which the majority of the people live" (Omar: Interview, April 15). As a result, some people feel that it is not worth taking out a loan as "the harvest only goes to pay off the debt, it is better not to receive credit" (Survey, April 22). Others say that it is only worth while to borrow for investing in cattle because it entails much less risk (Survey, April 18). Indeed, given the risks involved in agricultural production, some feel that it is futile to approach a bank for credit: "We wanted to solicit help from a bank but as there has been such little rain...it is not worth it to get involved in an institution because the weather has not responded" (José: Interview, April 29).

The result of the current credit policy is that people feel abandoned by the state and by the banks. Some believe that credit is only available for the rich, who do not need the help, while others argue that even large producers have been affected by the decrease in credit. The feeling of abandonment could be exacerbated by the fact that peasants had become accustomed to the lenient credit policies under the Sandinistas. In time, perhaps, peasants will become more self-reliant, and develop ways to be productive without having to take the risk of obtaining outside financing. Alternatively, if there were a change in the conditions under which peasants produce, then it might be feasible for the peasants to borrow to their advantage. In the absence of either of these scenarios, it is most unlikely that the peasant sector can produce a significant supply response under current conditions.

La Cobra

In 1995 the government sold the producers' debt to *La Cobra*, a private business that began to confiscate land in 1996 from producers unable to service the debts they had acquired in the 1980s. This is quite extraordinary as it was akin to passing a retroactive law. Peasants now having their land confiscated by *La Cobra* did not know that this could be a potential consequence of non-payment when they took those loans. As a result of *La Cobra's* activities, one peasant lamented that "We are victims of confiscation. Those who do not pay, pay with their house" (Survey, March 9). In the communities studied, only a few peasants had had direct contact with *La Cobra*, but the fear that it will arrive on their doorstep runs deep. Omar explains that this fear is driving some peasants to sell their land before it is even confiscated -- often for ridiculously low prices (Interview, April 15).

Even when peasants want to pay off their debts, they are not always given leeway to do so. One medium sized producer said: "I know a man who had a big debt with the National Bank. He wanted to restructure his debt to be able to pay it off, but the bank said no. And the famous *Cobra* came: when it bites, the person dies" (Andrés: Interview, April 24). Andrés went on to explain how the debt that he acquired under the Sandinistas had affected his own life: "I have 45 *manzanas* of land but I do not have even one cow. Before I did, but I had to sell them because of my debt because I could not pay it back by farming. If I didn't they would have confiscated my land" (Interview, April 24). In this way, it seems that both past debts and the threat of confiscation are negatively affecting productivity.

Lanza offers an informative explanation as to why the Association of Coffee Growers of Matagalpa fears *La Cobra*:

The problem that most large producers are facing is foreign investment from other Central American countries -- Guatemalans and Salvadorans that have money. The problem with El Salvador is that there is very little land and there is none left -- but they have money. They come to Nicaragua to buy land. They buy from *La Cobra*. This is the fear that we have of *La Cobra*. Not because they are recuperating the money, but that they already have a buyer for the confiscated land.

...If they were going to buy it for a realistic price, maybe it wouldn't be such a problem. But as it is a debt, they are liquidating the property for ridiculous prices.

...I believe that *La Cobra* should confiscate this land, but not to sell it to foreigners. There are some sharks who are taking advantage of the situation simply because they have connections in the government so they are not being touched. The majority -- 60% -- of the debt of the National Bank comes from 20% of the producers. So *La Cobra* is getting to those that do not have connections in the government...Small producers feel it the most as many large producers have obtained credit abroad (Interview, May 18)..

In contrast, others contend that it is often government ministers and other members of the elite who are buying up these lands (Escobar, 1994:32). Evans (1995:236) agrees that "There is a widespread suspicion that members of the government have been among the main beneficiaries". When I went to the bank in Matagalpa that is supposed to be linked to *La Cobra*, they declined to speak to me about the matter. There is a decided secrecy about this new, potentially very dangerous organization -- though Nuñez (Interview, May) claims that "*La Cobra* is also a macroeconomic policy that comes from the IMF".

Alternative Credit

The only credit that the peasants have received since 1990, has been that obtained through alternative sources such as UNAG, the Association of San Francisco de Asis, and a few other national and international NGOs that provide "micro-credit" to farmers. The interest rate

charged by these organizations, I was told, ranged from 6 to 20%. This is somewhat unusual as in other parts of the world micro-credit is generally offered at going interest rates. In Nicaragua these institutions are incurring the cost of their divergent interest rates. Though these micro-lending institutions have softer terms and fewer prerequisites, peasants complained that they do not always deliver in terms of quantity: "The credit that they give the producers is not enough to produce" (Antonio Mejía: Interview, May 3). For example, The Association of San Francisco de Asís gave one peasant 4000 Córdobas to grow a *manzana* of tomatoes, but he said that this was "not adequate" as he needs 12000 Córdobas per *manzana* (Survey, March 22).

If this seems ungrateful given that these alternative organizations are the only source of credit for small farmers, one should remember that insufficient credit can leave the borrower worse off. If they have a poor harvest because they did not have access to enough fertilizer, for example, they may be unable to repay the debt: "Sometimes the harvest is poor and there is nothing to pay the debt off with" (Survey, March 13). Ismaili, a community leader in Apompua, borrowed 300 Córdobas but her harvest was so poor she had to work as a day labourer to pay off her debt. If she had had a larger loan she would have been able to purchase more inputs, which might have improved the harvest. On the other hand, a larger loan would also have left her with a larger debt to repay.

Women who traditionally have had a hard time obtaining credit from banks seemed pleased that this new form of credit was available: "Small and medium producers have access to credit through the Association, even single women" (Consuelo: Interview, March 27). Women were often surprised when I asked them directly what they would do if they had access to credit. Many had obviously never considered the issue. Some eagerly spoke of their desire to start up a

little store, or some type of activity that would generate income, but not interfere with their domestic duties. For example, about 24% of the women surveyed wanted credit to build a chicken coop or a pig sty, so that they could increase the production of animals.

Gorostiaga (1994:5) contends that "small and medium producers make up the largest and most promising sectors of national development" and that Nicaragua needs a development strategy that is "clearly based on medium-sized private production which is the only productive sector able to generate a less exclusive and therefore sustainable growth" (Gorostiaga, 1994:11). Given this, Gorostiaga (1994:32) asserts that "the financial sector should treat this sector as a priority, so it can acquire the levels of financial capital appropriate to its productive potential". This section suggests that this wish is far from being fulfilled for Matagalpa's peasants.

Considering that one of the main goals of these reforms is to induce a supply response, policy makers would do well to recognize these serious complaints concerning credit: "This is an agricultural country but if we do not have financing we cannot produce, and if we do not produce we are never going to get out of misery" (Omar: Interview, April 15). However, though peasants lament the restrictions that have been imposed on credit, until the conditions under which most produce change for the better, it may be unwise for them to take credit from banks even if it becomes available. Micro-credit is less problematic, but the risks associated with debt must still be considered even in this case.

Even if credit were more readily available it would not solve all of the peasants' problems. The Sandinista experience indicates that credit alone is not sufficient, especially given current market conditions. The best scenario is one in which peasants are able to fund their own production, without relying so heavily on outside financing. Until this occurs, it is likely that

production will continue to suffer if credit is not available. As the next section attests, however, relying solely on the profits from selling their own goods is difficult because production is low, and it is difficult for producers to get a fair price for what they sell.

Commercialization

One of the pillars of neoliberal analysis concerning agriculture is that liberalization of the market will benefit peasants because producer prices will rise. This research indicates that prices rise only intermittently, and usually only after many peasants have already sold their crops to intermediaries. Producers often lose out twice, in that they sell their products for low prices at harvest time, when supply is abundant, and then buy them back later in the year (for seeds and consumption) at higher prices, when supplies are low.

Because of this price instability, peasants are very concerned that it is the intermediaries who are benefiting most from the current model. Some of the intermediaries in the post-1990 era come from other Central American nations, and this too is complicating the situation. These three issues -- price stability, usurping intermediaries and trade liberalization -- make up the bulk of the analysis in this section.

The Myth of Improved Producer Prices

Though the idea is that economic liberalization will lead to improved producer prices, trade liberalization within Nicaragua, and in Central America as a whole, has in fact primarily resulted in increased fluctuations in the prices of primary products (Evans, 1995:15). Increases in producer prices have not always been achieved, especially not in “real producer prices”, which

are adjusted for the cost of inputs. Over forty-five per cent of the peasants complained that they tend to “sell low and buy high”. One explained that earlier in the year he had sold his beans for 120 to 130 Córdobas a *quintal*, and was now buying beans for 350 Córdobas a *quintal* (Survey, May 2). I can vouch for the volatility of these prices because when my research began, beans cost about 350 Córdobas a *quintal*, but by the time I was finishing the price had risen to 500 Córdobas a *quintal* -- and a few months later it was 600.

These issues are not new to peasant producers in Nicaragua, or to others across the globe. In fact it was problems such as these that led the Sandinistas to support different types of producer co-operatives that tried to help peasants deal with the problems of seasonal price fluctuations. Producer organizations throughout the world have done the same. Nonetheless, recent developments seem to have exacerbated some of the age-old problems that peasants have always faced.

Peasants desire not only fair prices, but price stability: over 44% of the peasants stated that this was a major concern. Many would like to be able to receive fair prices throughout the year -- and they often expect that the government can provide this: "the government should show some interest in agriculture. Prices should be more stable for basic grains and coffee" (Antonio: Interview, March 15). Despite the multitude of problems that arose out of the state marketing system, it did, in some ways, offer peasants the desired stability in prices:

In the 1980s there were some policies that benefited the producer by guaranteeing a price to the producer. Now we have the law of supply and demand ... Here the intermediaries impose the price ... so the peasant is exploited, and only receives 80% of what it is worth on the market (Omar: Interview, April 15).

Though a 20% profit margin on behalf of the intermediaries is not excessive at harvest time, as

noted, the problem arises later in the year when their profit margin is much larger. Nonetheless, looking at it from a realistic point of view, Andrés conceded that while high producer prices are desirable, the consumer must be kept in mind as well:

It would be good if the government could establish a price ... but I do not think producers should earn too much because in our country and all over the world there are more people that consume than produce. We shouldn't kill either the consumer or the producer -- there should be a happy medium ... We are agriculturalists -- we should produce and sell -- but sometimes the reverse takes place: we work the land and we also buy products (Interview, April 24).

Though producers would like to hold on to their produce to "sell later," by the time the harvest comes many are often in great need of the immediate income they can receive from selling their goods right then: "it is better to save and sell your grains after, but because of necessities it is difficult" (Survey, April 24). These difficulties include having to pay off debts acquired to buy the inputs for production. As Chapter Six demonstrates, medical emergencies, school costs, and everyday household needs also force peasants to sell their crops immediately after the harvest when the price is always low. Don Martin explains the consequences of selling in this way: "We peasants and producers like to sell high and buy low. So sometimes we make an effort not to sell. But when problems come to our home, bit by bit we have to sell our surplus" (Interview, April).

Producers also lose out because of poor transportation. Consuelo noted that poor road conditions³ make it too expensive to take goods to market: "the road is so bad, we have to sell at a low price -- it is much lower than the price it fetches in the market" (Consuelo: Interview,

³ I can attest to the fact that the roads are bad: while leaving Montaña Grande (which means Big Mountain) we lost the brakes going down the very bad mountain road ... luckily the driver had plenty of experience or we surely would have died.

March 27). Antonio Mejía explained that "transportation is more expensive in Nicaragua" (Interview, May 3). The price of gasoline is very high in Nicaragua compared to other Central American countries, and this raises the relative cost of production and commercialization of Nicaraguan products as a whole. For example, in the community of Matazano, peasants spend a lot of money just to get their products to market: "the bus to Matagalpa is 14 Córdobas return, plus 7 Córdobas per *quintal* of grains. So you spend 21 Córdobas and sometimes you only earn 50-60 Córdobas -- so you only net 30-40 Córdobas " (Diega: Interview, March 25).

Another problem today is that consumers often do not have the money to buy as much as they did in the past, so it is difficult for peasant producers -- especially those that grow perishables for the local market:

In the time of the Sandinistas in the market in Managua there were 45 trucks with tomatoes and by mid-day there were none left. Now if they sell ten trucks worth it is a lot. People do not have the money to consume, so things sell very cheaply, and it is not good for the producer (Survey, March 21).

The above examples indicate that even with increases in real producer prices there are many other factors that inhibit peasants from taking advantage of higher prices. In this instance a supply response is possible "only if price policies are combined with non-price measures" (Streeten, 1989:7).

Intermediaries Profit Most

Núñez argues that intermediaries are often the ones that benefit most from variable prices: "the producer does not benefit -- only those that store and sell later do" (Interview, May). Evans (1995:10) agrees: "many of the benefits (of liberalization) have in practice accrued to commercial

intermediaries". As a result, "a small number of urban wholesale traders now dominate the market" (Spoor, 1994:530). Some use harsher words and argue that "In Nicaragua there is a mafia that stores beans to later sell them to transnational companies" (Conexión Latina, 1996:3). Over 27% of the peasants complained that intermediaries benefit at the expense of peasants: "products are cheap when they are in the hands of the poor. When they are in the hands of the rich [intermediaries] the price goes up". Diega, one of many astute female community leaders, pointed out that it is the very nature of price instability that sustains the intermediaries: "There is no stable price in the marketing of our products. It rises and it falls. The intermediaries like that: it is what they live off" (Interview, March 25).

The degree to which intermediaries benefit depends on variables such as the time of year, the crop, and the community in which the goods are produced. The result is that peasants feel that "they rob us when we sell our harvest" (Antonio Mejía: Interview, May 3). Many peasants stressed that "intermediaries take advantage of us because they know we have great needs" (Survey, March 14). Intermediaries know that when peasants sell a *quintal* or two, it means that they need the cash right away, and thus they are likely to accept a low price. When a peasant brings the product to market, the intermediary knows that the peasant is not going to lug the *quintal* all the way back home -- they need to sell then. At the same time, if the intermediary comes directly to the community, those peasants that are willing to sell are often in desperate straits as well. The piecemeal approach to commercialization is another reason why peasants do not receive fair prices for their goods:

I sell bit by bit, so I lose out. It is a serious problem in the community. If I have to pay my debt and I have some production I have to sell it at a low price. It has always been this way for small producers. Since 1990 it has been a little bit

worse. The intermediaries know that peasants come to sell when they have great need so they give us a low price (Juan de las Mesas: Interview, March 15).

Suggestions that the peasants gave as to how best to deal with this problem (and others raised so far in this thesis) are discussed in the last chapter.

The Result of Trade Liberalization

The Chamorro government liberalized trade “through unification of exchange rates, the adjustment of most import tariffs to a range of 10 to 40%, the elimination of most non-tariff import and export barriers, and the abolition of state-trading monopolies” (www.worldbank.org). The benefits of such reforms are questioned by Weeks' study of 17 Latin American economies, which refutes the neoliberal claim that there is a positive association between liberalization and growth in the agricultural sector (1995:81). Cavallo and Mundlak (1982) also failed to find strong evidence that the removal of trade barriers and other distortions would significantly improve the growth rate of the economy.

As noted, after 1979, the state marketing board, *La Empresa Nacional de Alimentos Basicos* (ENABAS) rapidly became the largest single buyer of grain. While other private agents could buy and sell, they could only do so at official prices (Spoor, 1994:521). Since 1991, peasants are free to sell their products where they please. Peasant perception of these changes is coloured by their feelings towards the way in which products were previously marketed. Some peasants seemed to prefer the former system: "Before we sold to ENABAS, now to intermediaries. It was better before" (Survey, April 8). "Before we sold and we could buy all our basic needs with the little we earned by selling our products" (Survey, March 14). Many were

concerned that food is leaving the country and that products from other countries are flooding the market. In addition, Spoor (1995:204) argues that the marketing of basic grains stagnated in 1991, after ENABAS was disbanded. However, other peasants prefer the "freedom" of trade liberalization, especially in contrast with the state control of marketing under the Sandinistas: "what one produced was confiscated by the state" (Don Martin: Interview, April). One clear advantage to the current system which was noted by a number of peasants, is that it gives the producers autonomy: "I prefer free trade, I can sell where I want to" (Survey, April 29). "Free trade is almost better because you can sell to whoever pays a better price" (Andrés: Interview, April 24). Some peasants feel that "it is better now because more trucks come to buy from us" (Survey, April 24).

It is interesting to note that while food production has been liberalized in Nicaragua, neither the U.S., Japan or the European Economic Community are willing to leave their food production unregulated (Evans, 1995:15). As a result, sometimes the world market is flooded with subsidized grains from Northern countries, especially the United States. Galeano (1992:73) has argued that "[r]ich countries are rich precisely because they preach economic liberalization but they don't practice it". Trade liberalization is not always negative, but liberalization of the vulnerable food sector can be very problematic.

Due to trade liberalization, intermediaries from other Central American countries have come to Nicaragua to buy from producers:

Trade is so free that they even come from Honduras, El Salvador to buy our food. And people do not understand that the food is leaving the country for good. In the markets of Matagalpa there is always at least two trucks from El Salvador carrying away all the production from here (José: Interview, April 29).

Previously the government encouraged peasants to keep production in the community: "the *Frente* had some laws that producers had to save enough food in the community so as not to sell all of it in the market" (Natividad: Interview, May 3). On the roads in Northern Nicaragua today there are plenty of trucks full of grains heading to other Central American countries. One wonders what the hungry children think as they watch these trucks roll by.

At the same time, the removal of tariffs on imports has flooded the market with goods from neighbouring countries: "when the price is good here the government lets products from other countries enter -- and we do not know when they are coming" (Survey, March 22). Another producer noted the effect of trade liberalization:

When vegetables from other countries enter our market at low prices it affects small producers. Producers who work on their own to maintain local consumption lose out. Production is more expensive in Nicaragua...we can't compete (Napoleón: Interview, May 16).

Because of this, some peasants concluded that: "the government shouldn't let products from other countries enter Nicaragua" (Juan: Interview, April). While complete restrictions on food imports are undesirable, the above examples shed light on why many peasants disagree with trade liberalization, as it has been implemented in Central America at least.

In the winter of 1997, the local price of beans had risen to 14 Córdobas a kilo --or nearly two days work for many agricultural workers -- because Salvadoran and Honduran intermediaries were buying up all of the beans directly from producers (Conexión Latina, 1996:3). As a result, Alemán, who was elected president of Nicaragua in the fall of 1996, decided to temporarily restrict the export of Nicaraguan beans. Given that Alemán is generally a staunch supporter of liberalization, this measure suggests that there was indeed a serious shortage in the country. This

reflects the shortages I witnessed at the same time the previous year -- when peasants were also waiting for the next harvest.

One peasant leader summarized the changes in marketing since 1990:

Now only the intermediaries make a profit. Before the government stored all the harvest and put it in silos at ENABAS. And when there were shortages they rationed. They sold to people who had no grains at a reasonable price. Since 1990 we have had free trade. Those who have more money store all the harvest and later sell it to us at a high price (Antonio: Interview, March 15).

This is not to say that the former system of marketing goods was flawless -- as noted, many peasants complained about state controlled marketing. There is also a wide literature that details the problems the Sandinista's confronted in this area (Spoor 1995, 1994, Ryan, 1992 etc). The point is that the changes that have taken place in agricultural marketing since 1990 do not appear to have improved the situation for many peasant producers, and in some cases things have become significantly worse.

Paid Employment

Since credit is inaccessible to many, and agricultural production often fails to cover the cost of subsistence, peasants often seek out paid employment on a seasonal basis to augment their income. Though most peasants do not want to become full time agricultural workers, seasonal employment is vital, as many rely on the income they earn to finance their own production. However, as was mentioned in the introduction, with at least 50% of the population underemployed or unemployed, peasants' chances of obtaining such work has decreased. One of the most common complaints, both in the city and in the countryside, is that "there is no work".

This means of course that "there is no money" and, in some cases, this means that "there is no food". A full 56% of the peasants surveyed said that they have fewer work opportunities than in 1990: only 8% felt that there is more work now. As a result many peasants are finding it harder and harder to finance their own production, and this in turn is negatively affecting production levels. With such high levels of unemployment, in some ways it is not surprising that the supply response is unimpressive. How can a country be expected to increase supply when such a large portion of its population is unproductive?

Natividad describes how employment opportunities have changed since 1990:

Before with the harvest you had a bit to sell and with that you were fine. But from 1990 on, this ended. Before there was work all over the place. And there was money. Now with 10 Córdoba you can't do anything. I believe that unemployment is all over the country -- and there are communities that are worse than ours. We live off the people from the city, and they live from us. Now there is no work in the city or the countryside. Before people used to go to the city to work, but now they just stay here because there is no work (Interview, May 3).

Juan, a community leader in Real de la Cruz, reiterates the same sentiment:

Before people survived by picking cotton, coffee. This disappeared. Before in November, December and January we used to go pick coffee. We got a good wage, so we saved money. In February we went to pick cotton. By the beginning of May we had had six months to earn money for the needs of our home. Now 50% of coffee growers are lost because they do not have financing. How many agro-export farms do I know that are not worth a thing now? If there is no coffee, and there is no cotton, where can we work? (Interview, April)

Along the same lines, of the better off peasants in the survey who have larger plots of land and who occasionally hire people to help them, 76% said they could not afford to hire as many helpers as they had in 1990. Less than one per cent said they now hire more: "People are no longer looking for field hands to help pick cotton -- as of six years ago" (Survey, April 22).

Not only is unemployment high, but those who do find work receive “*suellos de hambre*” or salaries of hunger. Evans (1995:10) chides that the labour market is an anomaly in Nicaragua because it is the only sector that has not been liberalized. Salaries have remained frozen since 1991, but due to the regular devaluation of the Córdoba, imported goods are steadily increasing in relative price. The result is that “many people work more and earn less” (Survey, March 16). Most farm labourers are paid between 8 and 15 Córdobas a day, depending on whether they receive a meal or not. When one recalls that when I left Nicaragua a pound of beans cost five Córdobas, and the price was rising, this wage is indeed dismal. Some employers do not even pay that much: “Here in San Isidro there is a rice grower. How much does he pay his workers? Five Córdobas! Without food. You can imagine how a person lives? Who is paying this wage of misery I ask? They are capitalists that a bank will loan to (Andrés: Interview, April 24).

José explained how the work situation has changed with the ending of the war:

When the government changed many people came back to Nicaragua and the country filled up with people. Now on the plantations they pay less and give less attention. Also there are groups that frighten people and rob from them. They only pay 7 Córdobas a day -- what can you do with 7 Córdobas? Why risk losing what you have earned, or maybe even your life? It is better to remain in the community (Interview, April 29).

These armed groups are primarily made up of ex-*Contra* and former soldiers who now roam the countryside terrorizing the peasants. For the most part they are no longer politically motivated. They are a legacy of the violence that has dominated much of Central America in recent decades: “The effect of neoliberalism is worse because we just came from a war. Kids went to war at 15, now they are 30 and do not know how to produce” (Don Chico Javier: Interview, February 22). Unfortunately these groups are found in some of the most productive areas of Northern

Nicaragua, and until these people are re-integrated into society, it will be especially difficult for peasants in that region to increase production.

As a result of these changes, many people have had to search for work further afield: "Some have gone to Managua to work as street vendors in order to survive" (Don Martin: Interview, April). In one family the man worked in Managua, but now the women does, as it is easier for her to get work (as a domestic worker) than for him (Survey, April 24). Consuelo agreed that:

Some fathers have gone to Managua to look for work. As there is more work for women, sometimes she goes and he stays in the house. She works as a domestic worker and in Matagalpa she earns 300 Córdobas a month. It is not enough to feed 8-9 kids ... In Managua they earn 700 to 800 Córdobas, but it is more expensive so it is the same. Before people did not leave the community. This change, to be clear, took place with the change in government (Consuelo: Interview, March 27).

As people leave the countryside for the city, there are less people available to produce the supply response that must, at this stage in Nicaragua's economic development, come from the agricultural sector.

Some say that it is also getting more difficult to find work as a domestic helper because "people don't have money for maids". This is an example of how the crisis is affecting the middle class as well. In addition to migrating to the city, "Many people have gone to Costa Rica because there is no work here" (Survey, March 29). Though this is not a new phenomenon, I spoke with a few people who were considering this option.

As one informant reflected, looking for work away from home can be very costly: "If there is no money for transportation to go look for work, we just have to sit here and endure it"

(Survey, April 17). This man was obviously depressed about not having had regular work since he lost his job as a construction worker for the state energy corporation in 1990. With six children to feed, there is a lot of pressure on him. He and his family usually rent one *manzana* to cultivate each year, but this year they do not have enough money to rent that much. His wife seemed frustrated as well: she noted that "if the man does not move, we do not eat" (Survey, April 17).

Omar (Interview, April 15) remarked that during the first few years of the new government there was a lot of resistance, because people did not want to become unemployed. Now that so many people have been thrown out of work, they can do nothing but protest in the street -- they can no longer go on strike. But people can only spend 2 or 3 days protesting, because they have to find ways to support their families. Omar went on to say that "International Workers Day is coming up (May 1st) but here we are going to celebrate the Day of the Unemployed. Hundreds of unions have disappeared". These rapid changes have been successful in draining the fighting strength out of many people. Ramos (Lecture, 1996) has noted that "people are tired of struggling against it" and one peasant explained that "We have looked for solutions everywhere. I am tired of it" (Survey, March 9).

Though about 70% of the peasants in the survey work part-time in the agricultural sector, the remaining 30% work in other areas and feel the over-all contraction of employment opportunities: "They have laid off a lot of people in the factories, in the Ministry of Education -- everywhere" (Survey, March 21). "They have laid off people all over the place: in the electric plant, teachers, Telcor, the Bulgarian factory" (Survey, April 17). The Bulgarian factory was a large food processing plant where 1000 people worked until it was shut down in 1990

(Napoleón: Interview, May 16). Peasants who occasionally worked in these areas have seen a sharp decrease in their ability to finance their own production.

One of the causes for the increase in unemployment is the massive lay-offs that have taken place in the public sector. One union leader noted the folly of such rampant privatization: "In the past they nationalized like crazy; they shouldn't now privatize like crazy" (Evans, 1995:185). Privatized state companies have had an average of 40% of their workers laid off (Evans, 1995:235). Contrary to orthodox thought, falling wages have not resulted in an increase in formal employment. Instead, many people have had to turn to the informal sector for daily survival (Envío, May 1995:4), which is problematic since work in the informal sector is often extremely insecure and unreliable.

Long time feminist activist Sandra Ramos notes that lay-offs and lack of employment opportunities have especially affected women (Lecture: Ottawa, January, 1996). The effects of SAPs have been cushioned (to some extent) by women working longer hours (Babb, 1996:45). Poncela (1996:56) claims that in many cases men are ashamed to do work they consider undignified. Women are more likely to do anything they can to feed their families. Because of the general economic crisis some female peasants said that "women no longer sell things (that they make in the home) because no one has money to buy anything" (Survey, April 22). Ramos (Lecture: Ottawa, January, 1996) argues that the only new work for women in Nicaragua is in the 20 *maquiladoras* -- factories located in Free Trade Zones -- that have sprung up recently. In time, more *maquiladoras* will come to Nicaragua, offering low wages and poor working conditions: "Free Trade Zones leave the country virtually no benefit beyond the meagre salaries offered" (Gorostiaga, 1994:33). This type of employment is unlikely to lead to a sustainable and

strong Nicaraguan economy, as the value added goes largely out of the country. At any rate it will take some time and much nurturing of the industrial sector before Nicaragua can rely on a supply response from industry.

The end result is that this decrease in employment opportunities, in both the countryside and the city, has clearly affected the peasants' ability to produce a substantial supply response. In summing up the issues raised in this chapter it is safe to say that ultimately most peasants would prefer not to take out credit, or work for others: "If we were economically solvent we would not have to work for those that have money" (Andrés: Interview, April 24). The next chapter argues that the decrease in capital that is caused by the changes in credit, commercialization and paid employment is further exacerbated by the fact that there has been an increase in household expenditures on necessities such as education and health care in the post-1990 era, largely as a result of structural adjustment policies.

Chapter Six

EDUCATION, HEALTH AND POSSIBLE SOCIAL COSTS OF REFORM

In addition to trade liberalization and financial reform, another crucial element of the Chamorro government's stabilization policy focused on demand restraint by decreasing public expenditures, which included significant cuts to education and health budgets. In real terms, there was a 35% decrease in education and health budgets between the mid-1980s and 1993 (Evans, 1995:194). These changes were highly visible since health care and education had been free for most of the Revolutionary period. Now families have to pay for most medicines, school supplies and secondary education.

This chapter examines the changes in these two sectors since 1990, and suggests that the increased costs imposed on peasant households have resulted in a decrease in the funds available for productive purposes, thereby further impeding that vitally important agricultural supply response. While these expenditure increases alone may not have affected peasant production significantly, they are difficult costs to bear in conjunction with the other changes in the economy. In addition, this chapter will show that changes in health, and to a lesser degree in education, have directly affected the standard of living of peasants in Matagalpa. This chapter suggests that this may negatively affect production in the long-run, since it is difficult for poorly educated, unhealthy people to be productive. Hence the supply response is curbed both in the short and the long run, due to these cuts in social expenditures. Moreover, these severe cuts to Nicaragua's social programs can be clearly traced to the neoliberal policy regime. While cuts to social spending are not always detrimental, since reducing waste and trimming fat are often commendable goals, excessive cuts in key areas will negatively affect both production and

efficiency. This chapter looks specifically at how this has happened in the case of Matagalpa's peasants. The chapter closes with an overview of some social indicators other than education and health which appear to have deteriorated since the implementation of structural adjustment. Evidence suggests that these general social problems may also be contributing to the weak supply response.

Education

Access to education is important to peasants for several reasons. It affords them the basic skills to ensure that they are not exploited by those for whom they work, or by those to whom they sell their products. It helps them take advantage of new technologies for production. And it is the stepping stone for those of their children for whom there is no land, or who wish to pursue an alternative career. Though the education offered to the peasant communities in Matagalpa has never been of a very high quality, it did undoubtedly improve in the 1980s. The Sandinistas mounted major literacy campaigns to combat the high levels of illiteracy, and basic education became free for everyone.

Recent changes have reversed many of these gains. Over 83% of the peasants surveyed felt that the quality of education had deteriorated since 1990. While just over 15% said that education had not changed, one felt that "education is more or less normal. The majority of children go to school" (Juan: Interview, April). However, not one single respondent felt that the education system had improved after 1990.

In education, the main change was the abolition of the completely free education provided by the Sandinistas. As a result, the cost of education has become daunting for many peasant

families. While primary students do not pay fees, they must still incur the costs of school supplies, which are not trivial: "Even if parents want very much to send their children to school it is difficult. They don't have money to buy the books" (Consuelo: Interview, March 27). In addition, one community leader explained that rules for wearing uniforms were less strict prior to 1990, which is problematic since uniforms cost one hundred Córdoba (Juan: Interview, March 15). When one recalls that the usual wage for rural labour is between 8 and 15 Córdoba a day -- and profits from selling crops are often low, this is clearly a great cost.

The high cost of school supplies was the most common complaint that I heard. In fact, 83% of families with school age children indicated that the increased cost of education was a serious problem, and many felt that school attendance now frequently depends on the economic situation in the home: "It is difficult for parents from the countryside to send all their children to school. It is very expensive. Some have to redo a year at school because they can't go every day" (Antonio: Interview, March 15). As the average number of children in the survey was six, it is not surprising that over 32% of those families stated that they could no longer send all their children to school. In some families, children simply do not go at all, while others send their children intermittently, when they can afford to do so.

All five of the communities surveyed had had primary schools teaching children up to grade six until this year, when the school in Apompua was "cut back" to grade four. Parents in that community are now paying a private teacher to teach their children grades five and six. If access to primary education is difficult, gaining access to secondary education is far more challenging. In fact, none of the five communities surveyed have a secondary school. Although it has always been this way, it seems that in the 1980s peasants had more opportunities to send

their children elsewhere for secondary education:

In this community the majority of the children go to school, but it is unlikely that at the end of primary school that they will go on. Transportation is very expensive. It is very difficult. Before parents could send their children to university. Before there was more work and it was easier to send our children to San Isidro [the nearest town] to study (Andrés: Interview, April 24).

Secondary school is no longer free, and I was told that parents pay anywhere from ten to twenty-five Córdoba a month for school fees, plus fees to write exams and to receive their child's grades. Moreover, although the cut-backs may mean that there are fewer students studying, the number of teachers has been cut back even more, so that class sizes have risen: "Before 1990 education was better. Now there are forty students in a class, before there were twenty. It has increased because there is no budget to pay the teachers" (Natividad: Interview, May 3). One mother noted that her family pays for all the fees, a uniform, school supplies, transportation, and room and board so her son can go to secondary school in Matagalpa. After all that effort, there are 60 students in his class (Survey, March 11).⁴

In addition, a number of people mentioned that since 1990, adult education, such as literacy programs, has been drastically reduced at the community level, and university education has also been negatively affected. Indeed, in the spring of 1996, the walls in many Nicaraguan cities were covered with university students' graffiti opposing the privatization of the universities, and defending the constitutionally enshrined 6% of the budget that goes to university funding. Early in 1996, three students were killed during demonstrations, which shocked the nation since

⁴ In contrast to these claims, UNESCO (www.unesco.org) reports that classroom sizes have only increased from an average of 33 students in 1990, to 37 per class in 1994. There may be regional variation to account for these discrepancies.

they were the first protesters to be killed since the end of the Somoza dictatorship.

There is a clear concern that although budget cuts may improve the balance of payments in the short run, they may also thwart longer range possibilities of development and of increased productivity. In the words of one respondent:

When you have education you are preparing and opening your mind to a vision towards the world and the future. But when you are limiting this, you are limiting what can be the advancement of development (Valle: Interview, May).

Another wondered how the country is going to develop with decreasing access to education: "Why don't they invest in education? It is training for the future -- the possibility that the country develops. With only backwards people you can't do much"(Omar: Interview, April 15). But Omar may have answered his own question when in the same interview he noted that illiteracy is advantageous for the elites because it is easier to convince illiterate people to work as farm labourers.

Health

As with education, decreases in the budget for health care can also have both short and long term effects on society and its potential for development. Omar (Interview, April 15) notes how the two sectors are intimately related:

Another thing that is going to have grave repercussions is that in the last five years we have seen high levels of malnutrition. Now there are few effects of this, but a child that has spent its first five years malnourished, when it gets to be an adult, or when it has to study, (if it has the possibility of studying) in what mental state does it come to the classroom? Letters do not enter one who is hungry. In years to come we are going to have some youth, who are now children, with many deficiencies because in their infancy they had many limitations.

On the whole, concerns about the deterioration in health are much more serious than those regarding education. Lack of education is not as immediate a problem because people can survive if they are not educated, but if they fall ill it is very difficult to get by, and impossible to be productive. While visits to the health clinics are still free, medicine is not, and thus there is a lot of concern about the cost of medicines needed to treat illnesses. Some peasants may put too much faith in those medicines, but the fact remains that access to medicine was a very serious concern among those surveyed. Beyond this, the other main health-related problem was the deterioration in many people's diets. Indeed, in too many cases the simple lack of food has caused malnutrition and hunger, which has in turn directly affected people's productivity.

One of the most shocking statistics regarding the changes in Nicaragua since 1990 is the fact that infant mortality, which had been reduced to 64 per thousand, has climbed back up to 91 per thousand (Poncela, 1996:55), undoubtedly largely as a result of the deterioration in health care and nutrition. A full 79% of the respondents indicated that their access to health care had deteriorated since 1990, while only 4% felt that it had improved. A few suggested that health care had not really changed so much because, although medicine is more expensive now, there were times in the past when it was simply not available (Survey, March 11). This was particularly true by the time the Sandinista economy had been brought to the brink of collapse by the war and the embargo. The fact remains, however, that for those who cannot afford high priced medicines, its availability to the rich is not much comfort. For those who raise the money to pay for those drugs by curtailing their expenditures on nutritious food and education, the true cost will only become apparent in the longer run. Meanwhile, these costs cut into the income that peasants could otherwise be putting towards production, thereby inhibiting the supply

response that is central to this discussion..

Because families must pay for most medicine that the health practitioners prescribe, many feel that "It is almost not worth it to go to the health centre because there is no medicine there" (Ismairi: Interview, March, 22). As most medicine is imported, devaluation has caused the cost of medicine to rise dramatically in terms of local currency. Per capita public expenditure (in 1988 dollars) on health care fell from 36 dollars in 1985, to around 20 dollars a year in the early 1990s (Evans, 1995:221). At the same time, generic drugs have been replaced by more expensive brand name products (Evans, 1995:223), so that a kilogram of medicine that had cost the state \$4 U.S. in 1988, cost nearly \$15 U.S. in 1992.

Over 74% of the peasants described the increase in the price of medicine as a serious problem: "How is a poor person going to buy such expensive medicine?" (Survey, March 19). One peasant explained that the cost of her husband's medicine eats into the family's food budget: "His medicine is very expensive. What he earns in a month is not enough to pay for it. Either he has his medicine, or the family eats and he gets worse" (Survey, March 21). This type of dilemma -- trying to decide where to put scarce resources -- permeates the peasants' day to day existence.

Though medicine is supposedly free for children under six, over 52% of the families said that often there is no medicine available in the clinic: "If our children get sick it is true that for them the medicine is free, but in the health centre there is no medicine. So it doesn't matter that it is free" (Andrés: Interview, April 24). In one community a little girl was suffering from a massive infection on her forehead at the time of the interview, but there was no medicine in the clinic, and her family could not afford to go to a pharmacy. Apart from the high cost of

medicines at the pharmacy, transportation costs are often prohibitive: "to buy medicine at the pharmacy you have to pay 14 Córdobas just in transport" (Juan: Interview, March 15).

The most common carrier of disease throughout the South, water, increasingly threatens many people's health: "One lives in fear of the water because it is not good" (Survey, April 30). In most major cities the water is treated, but in the countryside it is still a major cause for concern. In Montaña Grande there have been grave consequences since they lost access to potable water:

We had potable water, but three years ago a man bought the land that the water source is on. He cut our access to the water. This is why there were so many cases of cholera last year. About eight people have died. The man is using the water for irrigation, but there is enough water for the community too -- at least drinking water. In the 1980s the government would not have allowed this. Some people here have gone to Matagalpa with lawyers, but it has not been resolved (Survey, March 28).

One community leader said he had never heard of cholera in the community before this incident (Reynaldo: Interview, April). This is an example of how the ideology in Nicaragua has changed. The right to private property now has precedence over the right to clean drinking water. This land owner may be "efficiently producing a positive supply response", but the social costs of this must be considered. A principled analysis may suggest that he is responsible for the deaths of those eight people. This is a rather extreme negative externality. Unfortunately this is not an isolated incident -- a similar situation is taking place in Apompua as well.

Because of the changes in the health care system, it seems that more and more peasants are turning to natural medicine. However, several people said that the only thing they can do is to "endure" their sickness, or pray. A number of others declared that if they got seriously ill, the only thing they could do would be to "wait in the house until I die". Some people were in

obvious pain even during the interviews because of various health problems. One community leader who could not afford the 300 Córdobas needed for treatment, was suffering with a serious bladder infection. When asked how the family resolves its health problems, one man stated flatly: "You get used to misery" (Survey, April 23).

Access to Food

"There are less rich people because there are more of us that are hungry. Thus there are more with hunger than without" (Survey, April 8).

One of the most basic elements necessary for good health is a proper diet, and access to adequate food is central to the ability of peasants to be productive. But in the interviews it became apparent that in Nicaragua today the peasants' struggle against hunger is unending. Moreover, the fact that this basic necessity is being denied to so many people is a matter of deep concern, and is clearly associated with the new policy regime in the minds of the peasants. Of course, poverty has existed in Nicaragua for a long time, so neoliberalism is certainly not solely responsible. While it is difficult to measure the extent to which the reforms may have contributed to the current crisis in food security, the fact remains that respondents kept reiterating that things had become much worse since 1990. They see the decrease in production levels (and thus their hunger) as being intimately tied to these policies.

It is often difficult for those who have never suffered severe hunger to distinguish between different levels of poverty. Some of the slightly better off peasants said that they had no problems in their lives. Looking around their bare homes I wondered, at first, how they could say

such a thing. But one understands once one compares them to their neighbours and notices a stark difference. In one house the people have full stomachs, in the other everyone is hungry. Peasants' needs are often simple: food, health care, basic education, shelter. But their lives are precariously poised on the edge of disaster. Once these fundamental needs are threatened, a family can easily go from having a simple yet acceptable standard of living, to a vicious spiral leading from malnutrition to hunger, to illness, to greater poverty and even to death.

The deterioration in nutritional levels has been significant. In a large survey of the whole country, an average of 78% of households declared that their food intake had deteriorated after 1990 (El Observador Económico, 1994:25). Similarly, a study in Northern Nicaragua (which includes Matagalpa) reported a 55% increase in malnutrition since the late 1980s (Evans, 1995:221), and among the families I surveyed, 74% indicated that their diet is worse now than it was in 1990. Only 5% said their diet had improved. As an interviewer, I could see it in their faces, and there is no doubt that they feel it too: "There is more weakness in the family because we don't eat enough" (Survey, April 24). It is difficult to increase production when one is weak: "Those of us that work the land, we can't do it on tortillas and salt alone" (Interview, Andrés, April 24).

Moreover, the worst was yet to come. The research took place at a time when peasants were waiting for their next harvest, and as stocks from the last one were beginning to dwindle, one peasant noted that "there are three months until the harvest. It's going to get worse. We are screwed" (Survey, April 19). A major concern was the lack of protein in the diet, as so few people were eating beans by this time: "The majority of people do not have any beans right now" (Survey, April 29). The peasant diet is usually quite simple, but without beans it becomes

dismal. One old woman announced that: "Malnourished children die, and we old people die for lack of a glass of milk or some vitamins" (Survey, April 29). Another stated that: "Sometimes there is nothing to eat, and if there is, it is not satisfying" (Survey, March 27), which serves as a reminder that apart from malnutrition caused by an inadequate diet, many peasants simply do not have enough to eat. As was noted, the peasants see this as being linked to the poor production levels.

Mothers are particularly preoccupied with providing food for their children and families. Twice as many women as men referred to lack of food as a serious problem. One complained that her children "cry because they do not eat" (Survey, April 19), and another explained that "When I have food I give it to my kids, and when I don't, I go to sleep with them without eating. When they wake up they ask for food and there isn't any" (Survey, April 23). A young teenager, who was one of two teen mothers in her family, explained simply that "Life is difficult because we do not have food" (Survey, April 29).

As it is all over the world, life for single mothers is generally more difficult than it is for families with fathers to contribute. Artola is a single mother with five children whose husband left her for another woman. He does not help out financially -- alimony is not common. She earns 60 Córdoba a week working in a bakery. She calculates that in a week her family eats 25 Córdoba of corn and 30 Córdoba of beans, so that she spends nearly all of her income on food. Since the remaining 5 Córdoba is not enough to meet their other needs, they rely on people in the community to help out. Some people had suggested that she give some of her children away, but she feels that "It is better that they die of hunger with me. I am not a dog to give my kids away". As a parting remark she said laughing: "my life is hard" (Survey, March 29).

Ismairi, another single mother, is a community leader in Apompua. In 1995 her family went three days without eating. She said she almost fainted. They eventually ate again because her mother got a job as day labour. Ismaili insisted that "If Violeta (Chamorro) continued we would die of hunger". She also explained that although her family had always been poor, they had "never known hunger before" (Interview, March 22). This indicates that in some families hunger is a relatively new phenomenon.

When production is low, many peasants must buy more of their food, but this is difficult because it is so expensive, and because of their low level of production, they have little to sell to generate an income. Many Nicaraguans note the paradox of the change that occurred after the lifting of the American blockade: "before we had money but there was nothing to buy. Now the stores are full, but we have no money to buy things with". It seemed like almost every other family repeated this sentiment. Osei-Kwadwo (1996:249) offers a similar analysis of the effect of structural adjustment in Ghana: "But when in the past people had money but could find nothing to buy, today they lack the money to buy the goods in the shops". Bienefeld (1995:122) has reported the exact same sentiment among Tanzanian peasants. Even continents apart it seems that these policies often have similar effects.

Even so, some peasants argued that the food situation had not changed much because "under the Sandinistas there was no food because it was rationed" (Survey, April 29). That, of course, is how the world looks to those who have the money to buy the goods that are now available. However, the majority of peasants have clearly seen a deterioration in their diet and in their lives over the past six years: "since 1990 we just withstand hunger" (Survey, March 29).

As was noted in Chapter Three, to make up for the increased cost of health care and of

education, many peasants are disposing of their capital. At times, assets are sold simply to feed the family in a crisis, as when a child dies or one of the parents gets sick. At such times they may have to sell their last resources (Valle: Interview, May). But consuming capital instead of income is unsustainable, so that the 'savings' achieved by cuts in social sectors often results in a depletion in the country's social capital. An IMF study recognizes the frequent detrimental effect of such cuts:

Cuts in health and education expenditures accruing to the poor adversely affected poverty groups, in both the short and the long run. In the short run, the cuts reduced consumption benefits. In the long run, they may have hurt the productive capacity of the poor (Heller: 1988:33).

The increased household expenditures on health and education consume precious capital resources that peasant families could otherwise put to productive use. And, on top of this, there are long term costs that arise when a population encounters deteriorating levels of education and health. Indeed, under such conditions the hope that the peasant sector will produce a dramatic supply response becomes increasingly unrealistic.

Possible Social Costs of Reform

Though it is difficult to establish direct correlations between the apparent increase in social problems and the introduction of neoliberal policies, it is possible that they are related. Poncela's research findings, based on 165 family surveys and 155 ethnographic interviews in the early 1990s, concur with my own field work which suggests that this may indeed be the case: "Although no rigorous data exist on the matter, it follows that the increased alcoholism, heart attacks, suicides, violence, and depression reported by various people I interviewed have to do

with the desperation one witnesses in Nicaragua today. In some way they too may be consequences of the adjustment program" (1996:60). In the same vein one peasant leader remarked that "The policies have changed. I don't understand it much. Before there was a war, now there is a social war, a war of hunger, a psychological war" (Deodolfo: Interview, March).

The general morale of the population as a whole appears to be declining. This is causing depression, low levels of motivation, and an increase in levels of violence (Envío, November 1994:3). Many people have "fallen into a serious state of anomie" after spending long periods of time unemployed (Envío, November 1994:3). One woman even noted that "People are committing suicide because there is no work. In the radio they announce it" (Survey, April 30). Such social problems also affect peasants' ability to produce a supply response.

There are several indications that the social fabric in Nicaragua may be unravelling. For example, many Nicaraguans declare that the policies of the Chamorro government did not only return the country to the conflictive class relations of the Somoza era, but in many ways the current situation is worse than it ever was under the dictatorship. Nuñez maintains that "Every day the gap between those that accumulate capital and the poor grows larger" (Interview, May). Valle (Interview, May) concurs that a wider segment of the population is now feeling the effect of the reforms: "The vulnerable sector no longer feels the impact. It is a body without life that no longer feels it. Those that are feeling it now are the middle class".

As was noted in the introduction, a remarkable 80% of the peasants said that their life is worse, or much worse, than it was in 1990. Significantly, out of 110 households surveyed, only one family said that their life is much better now, because in the interim they had acquired their own plot of land (Survey, March 11). Other social problems reflect these negative feelings

concerning the social fabric of the country in the 1990s. For example, the national police report that in the past several years rape has become the fastest growing crime in the country (Envío, July 1995:8). Poncela (1996:60) has noted that there was an alarming 70% increase in rape in 1992 alone. Valle (Interview, May) argues that this too is a consequence of a socio-economic situation in which youth are left feeling disillusioned and bored. For this reason, a number of people claimed that there is a need for training and support programs directed towards youth.

Delinquency in general has increased every year since 1990 (MacLean, 1996:9). Ghai (1991:14) argues that crime is a survival strategy to which people turn “to recuperate some lost ground”. Nuñez (Interview, May) suggests that many people that live in misery are forced to rob. Though this does not necessarily justify their actions, one must realize that when children are hungry and no one in the family has had steady work in three to four years, people often come to feel that they have no other choice.

These social problems, whether they be poor health, or an increase in the crime rate, are not only unfortunate from a human point of view, but they often loop back on themselves so that “the social anomie that is generated resounds in a general lowering of economic productivity” (Gorostiaga, 1994:30). Social problems in general also affect the expected supply response. In this way it is inefficient to try to increase supply without seriously considering the possible social consequences of the model. The long-term advantages of having a healthy, well-educated population and a strong social fabric must be weighed against the short-term benefits of making cuts to basic social services and servicing debts.

Chapter Seven

CONCLUDING REMARKS: Foundations for a Supply Response

"I have lived with Somoza, the war, la Frente Sandinista, and it is worse now. I am 100% sure that even with the war it was better before 1990" (Survey, March 9).

"I am 43 years old and ever since I can remember there have been regimes. It is always a small group that benefit. The peasants always suffer" (José: Interview, April 29).

"They say that Nicaragua's GNP has increased by 2%. It is difficult to contradict the economists who present it with graphs etc. But it is only 10% of the population or maybe less that is benefiting. The other 90% has gone backwards. So the majority of us are paying for this bit of growth. Maybe the government has benefited, but what about the governed?" (Omar: Interview, April 15).

As the evidence from the Department of Matagalpa illustrates, neoliberal economic reforms have been counter-productive in that they have reduced the likelihood of a positive supply response from the peasant sector. As I have said, this is significant since the success of the neoliberal model in an agriculturally-based economy like Nicaragua's is predicated on a large supply response from the peasantry. As was noted in the introduction, the neoliberal assumption is that farmers generally benefit when the economy is liberalized because producer prices rise, but this research indicates that this is not the case for most Matagalpan farmers. The main problem is that most Matagalpan peasants have been incapable of increasing production, thus they have not been able to take full advantage of increased prices. At the same time, prices have tended to rise only after peasants have already sold most of their harvest, thus it is largely intermediaries, rather than peasants, that have been able to benefit from higher prices.

The World Bank has frequently acknowledged the limitations of its policy advice, especially in peasant economies. When referring to the neoliberal reforms in Malawi, for example, the World Bank (1988:53) notes that "it was over-optimistic to have expected major

production increases from producer price incentives alone". This concurs with the analysis that flows throughout this thesis concerning the Nicaraguan peasantry. The same report goes on to say that in Sub-Saharan Africa, what is needed is "a greater sensitivity in the Bank to the possibility of slow supply response to price changes" (World Bank, 1988:65). This is also true of Nicaragua. It seems that much more time and effort is necessary to stimulate the supply response: "observers from already rich nations rather consistently underrate the extent of foundation-laying necessary to induce a high rate of growth" (Mellor, 1976:9). This concluding chapter looks briefly at some of the elements that are necessary for building a foundation that may help to induce a larger supply response.

As the World Bank (1990:9) rightly notes: "the alternative is not between adjustment and non-adjustment but between different forms of adjustment". Although it is easier to critique policies than to come up with alternatives, the primary problem is not lack of alternatives, but rather the political will to pursue them. However, these policies continue to exist because they benefit an elite group in the North and South, and because the decisions are taken without the effective participation of the vast majority. In analysing the situation in post 1990 Nicaragua, Babb (1996:45) writes that "the human cost of recent policies will be seen in the long term if the consequences of these policies are not considered now". Many fear that unless the constraints on the Nicaraguan economy are eased substantially, and unless there are significant changes in the international system, a successful solution may not be feasible at the national level.

According to Elson, (1990:4) rather than adjusting internal economies on a country by country basis, what is required is a structural adjustment of the international financial system. While this notion should be central to the debates surrounding SAPs, the word "adjustment"

implies that all that is needed is a slight alteration to the current system. Given the magnitude of the crisis, it is unlikely that mere “adjustments” will be sufficient. A stronger, more appropriate conclusion might be to call for a structural *transformation* of the international economic system. One reason why this type of a fundamental change is challenging is that many people view things with Newtonian lenses. We have come to see the world as a machine: if something goes wrong in one area, it is possible to detach it from the whole and “adjust” it, without taking the whole system into account. Taking apart one economy and tinkering with exchange rates, debt levels and other variables, ignores the holistic nature of both the problem and the solution. The problems facing Nicaragua, and this planet in general, are not just economic, they are also very much political, social and philosophical in nature, and any viable solutions must take this into account.

Wade (1994:23) argues that the World Bank prefers one meta-policy because it makes decision making and policy implementation much less complicated. Similarly, Loxley (1986:44) contends that alternative models tend to be more complex and country specific than the “blueprint” provided by the IFIs. Hahn (1982:21) posits that “Wishy-washy, step by step, case by case approaches seem to me to be the only reasonable ones in economic policy”. As noted above, however, because the problems facing the global economy cannot be solved by individual nations, country-specific policies would probably work best if they were coupled with policies that address broader international aspects of the problem. A strong supply response is more likely if both these issues are tackled simultaneously.

The World Bank (1988:58) has also offered some useful advice regarding how to best improve the situation: “Long term human capital development, asset creation and asset

redistribution, such as land reform, remain the most important strategies for alleviating poverty". Don Chico Javier (Interview, February 22) argued that "the biggest problem is for those that have left the land. The most important thing now is to maintain peasants on their land". As noted in Chapter Five, due to the rapid changes that are taking place in the country, this is indeed a serious concern. I spoke with the director of the Ministry of Labour in Matagalpa who agreed that keeping the peasants on the land is an important but challenging goal. He explains that in Sébaco, an area just outside the city of Matagalpa where the land is very fertile, many of the demobilized fighters (soldiers and ex-Contra) were given land, but 90% of them have since sold it. He argues that those that stayed on the land are doing fine, while those that sold have been left with nothing, and now eke out a living as informal traders. His conclusion is that "money does not last in a peasant's hand, what lasts is land" (Interview: Bermúdez, May 26). The best way to keep peasants on their land is to ensure that conditions exist for them to survive with agricultural production.

As the IFIs rightly note, part of the solution is to offer reasonable producer prices. Nuñez (Interview, May) contends that "[t]he most important thing is the terms of trade: they buy from us cheap and sell to us at high prices". The IMF's Killick and Sutton (1982:41) agree that trade is a better long-term solution than aid. Loxley (1986:48) qualifies this argument, however, by suggesting that exports should only be pursued after meeting the basic consumption needs of the population. Many of the peasants I interviewed felt the same.

Though increased producer prices are important, there are other factors to consider as well, if peasants are to be able to respond to these incentives. There are hindrances, such as increased costs, which are exacerbated by the decrease in working capital. As I have noted, the

task of increasing peasant production is not easy, and the following suggestions are certainly not infallible, or new, for that matter, but they do come from the Matagalpan peasants' perspective. They reiterate the main concerns that the peasants raised in both the survey and the interviews.

The three increased expenses of which the peasants spoke most often were medicine, school supplies and productive inputs. Efforts could be made to ensure that peasants do not have to channel funds away from production in order to pay for basic social services. In the present fiscal situation this is not an easy task, but the benefits will likely be worth it, both in the short and the long-term.

Since inputs are likely to remain expensive and it is probably inefficient for Nicaragua to manufacture its own, increased training in the use of organic inputs would greatly help as well. My impression was that peasants were hesitant to try such methods until they could see for themselves that they worked. Nonetheless, there seems to be an increase in the use of organic inputs (and medicines). In the end, the crisis is making people more self-sufficient.

Until peasants are able to finance their own production without credit, including learning to use organic fertilizer, it may be difficult to expect a large supply response from small and medium producers. It would be useful to learn from both the Sandinista experience with credit, and from the current model, so that a compromise between the two could be reached. In this way perhaps credit could be made available to peasant producers on reasonable terms, but not so leniently that it becomes unsustainable. However, until the conditions under which peasants have to produce become more favourable, credit will remain somewhat of a risky proposition.

The most common response as to how to resolve the problems associated with commercialization was for peasants to sell later, so that they could benefit from the higher prices

that prevail later in the year. However, in order for peasants to do this, they must have somewhere to store their grain so that animals do not eat it, and so that it does not rot. Some peasants suggest that individual household silos is the best way to do this. Others took a broader approach and recommended community-based marketing boards. Interestingly, virtually no one advocated a return to a state-run marketing board. However, although storage facilities and community-based marketing boards may help, the question still remains, how do peasants survive until later in the year without selling their crops?

Poor transportation is another serious impediment. The roads in Nicaragua are in desperate need of repair, as even the main highways are filled with pot-holes. Thus, improving the infrastructure in the countryside is critical. Currently peasants have to pay a lot to get their products to market, but the community-based marketing boards mentioned above might be able to lower transportation costs if peasants brought their goods to market collectively.

Since lack of rain was such a serious concern, I was surprised that only a few peasants mentioned irrigation systems as a way to improve production. Perhaps this is because irrigation is such an expensive undertaking that it just did not come to peasants' minds. In any case, increased access to water would likely greatly increase the supply response.

I would argue that alternative approaches should bear in mind the fact that peasants often work with members their family, rather than with other people in the community. This may not be the most "efficient" way to work, but it is part of the peasant culture, and efforts to convince peasants to change this have not been very successful. An example of how to work with this tradition would be for credit circles *a la* the Grameen Bank to offer credit to family groups. Nevertheless, not all initiatives can be effective working with the family unit. Some organization

works best at the community level. The fact that very few peasants expressed a need to “get organized” probably reflects peasants’ resistance to such collective action. This may be exacerbated due to some negative experiences with collectivization under the Sandinistas. However, there was a noticeable difference between Apompua, which has an active community organization, and Real de la Cruz, where no such organization exists. The main difference is that in Apompua the Asociación de San Francisco de Asis offers its members access to credit and other support. Community-based organizations may become more important over time if the role of the state continues to decrease. It seems that the needs of these communities would be more easily addressed if they worked collectively to a certain degree. Though collective production may not be viable, collective marketing and credit schemes may be beneficial.

Though many peasants made it clear that they do not want excessive state intervention, many of the solutions they suggest do require a better balance between the state and the market, since the state creates the context within which markets can work efficiently and to the benefit of the local population. Spoor (1994:531) has argued that in Nicaragua “[t]he expected reactivation to be brought about by ‘the market’ has not come, and it is unlikely to come if the state does not react decisively by playing an ‘initiative role’ toward agricultural and food markets”. Spoor (1994:517) suggests that “a new type of state intervention is needed which will actually promote the development of agricultural markets”. Nicaragua has swung from the right, to the left, and back to the to the right, in less than a twenty year period. As such, Nicaragua is in a unique position to learn from these experiences, and to choose the positive elements of both approaches. Unfortunately, the current shift does not seem to take these learnings into account.

Concluding Remarks

Though I have been critical of the neoliberal model throughout this thesis, this is not to say that all aspects of neoliberal reform are ill-conceived. However, there seems to be a lack of strong evidence to suggest that the neoliberal model is the most appropriate way to achieve a strong supply response from the peasantry. Melmed-Sanjak (1993:44) concludes that ultimately these policies could only be justified if they increased the standard of living for the majority, but the evidence does not suggest that the model pursued since 1990 has benefitted the majority of Nicaraguans, either in terms of increased production, or improved social indicators. Of course, as noted in the introduction, no model could alleviate poverty in Nicaragua in the short-term. This long-term battle must be fought with a range of strategies, and policy-makers would do well to keep the peasants' views in mind when fashioning their policy proposals. It is important to seek out new solutions to the chronic problems that plague peasants the world over, but alternatives are only worth pursuing if they actually help to alleviate the problems that peasants face. If instead they exacerbate these problems, then it is best to either alter such policies, or to search for new and better solutions.

Though this data makes it clear that since 1990 the supply response from most of the peasants surveyed has not been fostered, ultimately there is no way to measure the extent to which this failure has been caused by the neoliberal economic model. One thing that is clear is that, no matter what model is pursued, the best way to address the crisis is to pursue solutions that are holistic in nature: "People are coming to see that what seemed like many separate problems-- environment, peace, poverty, Third World underdevelopment, quality of life, resource depletion -- are not only linked, but in fact are all largely caused by or are manifestations of the

one basic problem: the growth and greed society” (Trainer, 1994:195).

While I have been writing this thesis I have often wondered what is happening to the people I spoke with, and what the future holds for them as these processes continues to unfold. I am often reminded of the fact that many of the things they hope for are not unrealistic; peasants in general have not been as influenced by the growth and greed society as other sectors of society. In Real de la Cruz, for example, one woman exclaimed: “I want everything: clothes, shoes and food”. These demands do not seem too tall an order. It should be possible to make changes to local and international systems so that peasants can indeed produce the positive supply response which would allow them to provide themselves with these basic necessities.

APPENDIX

The People

In their study of Mexican peasants, Buckles and Chevalier (1995:175) argue that "The introduction of some commercial crops or small-scale animal husbandry in combination with subsistence production and wage-labour, as in Pajapan, is a typical example of the peasant response to the pressures of the broader market economy". The term *as in Pajapan* could be replaced with *as in Matagalpa* and it would succinctly describe the peasants with whom I spoke. Most Matagalpan peasants are somewhat tied to the market economy, but as Buckles and Chevalier (1995:177) explain, they use these strategies to resist full proletarianization. Peasants in Matagalpa tend to enter the market only as much as they have to to sustain their own productive cycles. The level of integration varies from household to household, though I found that physical distance from the market was a significant factor in determining this.

The research was conducted in the spring of 1996 in five different communities that are between half an hour and two and a half hours from the city of Matagalpa, in Northern Nicaragua. The people at UNAG helped Dr. Brohman and I choose communities that had not been studied very much in the past. In each community we were aided by community leaders who were also UNAG representatives. This was a great help as people were very receptive to speaking with us; we did not have a single negative response from the peasants.

At first we tried, in many convoluted ways, to obtain a random sample of the households we were to study, but it proved impossible to get the proper lists to do so. For example, a recent census had left out large numbers of households in the area we wanted to work. In the end we gave the community leaders guidelines with which to choose a representative sample of

households in each community. For example, we calculated the appropriate number of households for each of the five communities, we figured out that in order to be representative 15 to 20% of the surveys had to be conducted with single mothers, and we asked that they choose households that would offer an appropriate mix of land holdings. None of the families were large producers: the average family had 10 *manzanas*⁵ -- but more than fifty per cent had five *manzanas* or less. For the purposes of this thesis the term “peasant” generally refers to a person who farms on a relatively small plot of land primarily for subsistence purposes, but who may sell surplus crops in order to maintain the reproductive and productive functions of the family unit.

Though we ensured that some families were members of UNAG and others were not, my biggest concern about choosing the respondents in this way was that the sample would be skewed politically. As UNAG has traditionally been known as a Sandinista organization, I was worried that too many of the families chosen would be Sandinistas. It turned out that very few people were staunch supporters of the Sandinistas. Most people were in fact surprisingly apolitical. There was very little evidence of a Revolutionary project as relatively few people even mentioned the Revolution, or the Sandinistas at all. When they did they usually spoke of “the previous government,” and this did not seem to have the political connotations that I thought it might.

Though it may have been better to work with a true random sample, I feel that we did the best we could to ensure that the sample was as representative of the communities as it could be under the circumstances. I believe that the data from the survey and interviews reflects how most peasants feel about the situation in the countryside because people spoke not just about their own

⁵One *manzana* equals 0.7 hectares

experience, but about the peasant sector as a whole.

The Survey

Both quantitative and qualitative modes of inquiry were used to conduct this research. Some of the data comes from statistics derived from the survey, however, most of the information I refer to is more anthropological in nature. For example, I often refer to what “many peasants said”, but I have been very careful only to make such comments about points that many people reiterated, and that seemed to be a common sentiment among the peasants surveyed. At the same time I also note when peasants disagreed with what most other peasants were saying. The reader will note that there are four or five interview subjects that are referred to regularly. These community leaders have had a wider experience outside the community than some of the others, and thus they have a broader perspective on the situation.

In the case of couples, the main questions were put to the man and woman together. At the end of the survey the two were separated and asked some more general questions. Though there was no explicit gender component to the survey, the separation by gender did elicit a number of interesting responses from some of the women, answers they may not have given if their husbands were present.

Inevitably I am left with unanswered questions. I wish that I would have spent more time in Managua researching the macro-data on Nicaragua that is difficult to find in Canada. It would have been useful to have interviewed or surveyed some large producers to compare their experiences with those of smaller producers. I would have liked to go back and clarify what certain peasants said. For example, I would have questioned those peasants who had increased

their production more about how they have been able to do so. Upon reflection, some questions could have been changed, while other questions added. Nevertheless, I do not believe there are any glaring holes in the field research. It is true that these accounts are based on the peasants' subjective opinions, and the data must be viewed accordingly. Nevertheless this thesis presents the *peasants'* perception of reality, which is important because their voice is often silenced.

The Survey Questions⁶:

1. General Data

Date:

Name(s):

Municipality:

Comarca

Community:

Number of children:

Number of people that live in the house:

How much land do you have?

Do you belong to an organization? Have you ever? For how long?

Since 1990 have you received any support (training, credit etc.) from a project?

2. Social Aspects

Where do you get your water?

Do you have a latrine?

Is there a health clinic in your community?

How long does it take to get to it?

Do you have any problems in terms of access to health care?

Have these problems changed since 1990?

If so, why do you think these changes in health care have taken place?

How do you resolve health problems in your family?

Has the consumption of food changed for your family since 1990?

Is there a school in your community? Primary: Secondary

⁶The reader will note that some of the questions in the survey are not directly addressed in this thesis. This is in part because it is impossible to analyse such a large data set in a Master's thesis. The main reason, however, is that some of the questions were directed more towards Dr. John Brohman's research goals than mine.

What are your main problems in terms of education?

Do all of your children go to school?

Have these problems changed since 1990?

If so why do you think that access to education has changed since 1990?

Can cars, buses, four-wheel drives come into your community all year or only in the dry season?

3. Production

How many people in your family work the land?

How many people work off the land for pay? In what activities, when, and how much are they paid?

Has this changed since 1990? Why?

Does any one other than family members work your land? For how much of the year? How do you pay them? Has this changed since 1990?

How did you obtain your land? How long have you had it?

If you rent it, how much do you pay?

What are the main uses of your land?

What are the main products that you produce? For each product:

Since when? What area? What was the area in 1990? What is your production? What was your production in 1990? What is your profit? What was the profit in 1990?

What are the main reasons for changes in production and profit for each product?

Do you have any cattle? (for meat/milk) Pigs? Chickens?

How many? How many did you have in 1990? What is your profit? What was it in 1990?

What are the main reasons for the changes in the number of each animal? And profits?

In general, what are your main problems in terms of production?

How have these changed since 1990?

If so, why do these problems exist?

To improve your production, what are your main needs?

In your opinion, you could these needs be met? (cooperative, collective, association?)

4. Commercialization:

Of your production of each good, how much do you put aside for self-consumption? How much do you sell? Where?

What are the main changes in terms of commercialization of each good since 1990?

Why have these changes in commercialization taken place?

What are the main problems in terms of commercialization since 1990?

To improve commercialization of your goods, what are your main needs?

In your opinion, how could these needs be met? (cooperative, collective, association?)

5. Financing

Do you have credit? Have you ever had credit? How much and for what activities?

What are the main changes in terms of credit since 1990?

What are your main problems in terms of credit since 1990?

Have these problems changed since 1990?

If so, why has access to credit changed since 1990?

What are your main credit needs?

For how many *manzanas* and how much per *manzana*?

In your opinion, how could this credit be distributed? Is there a group in your community that could manage this?

6. General Questions (the man and the woman are questioned separately)

In your life in general, what are the most important changes that have taken place since 1990?

In your opinion, what are the main reasons for these changes?

In general, is your life much better, better, the same, worse, or much worse since 1990?

What are the biggest problems you face in your life?

How have these changed since 1990? Why?

In your opinion, how could these problems be solved?

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INTERVIEWS in Nicaragua:

Agustín: April 15

Andrés: community leader in Real de la Cruz, April 24, 1996

Antonio: community leader in Matazano, March 15, 1996

Antonio Mejía: community leader, Dulce Nombre de Jesus, May 3, 1996

Antonio Rivas: community leader in Real de la Cruz, April 25, 1996

Bermúdez, Adolfo: Ministry of Labour, Matagalpa, May, 1996

Consuelo: community leader in Apompua, March 27, 1996

Deodolfo: community leader in Apompua (President of the Association San Francisco de Asis), March, 1996

Diega: community leader in Matazano, March 25, 1996

Don Chico Javier: President of UNAG Matagalpa, Matagalpa, (may he rest in peace) February 22, 1996

Don Martin: community leader, Dulce Nombre de Jesus, April, 1996

Eusebio: community leader, not sure which community

Ines: President of the Development Pole in Montaña Grande, May 14, 1996

Ismairi: community leader in Apompua, March 22, 1996

José: community leader in Dulce Nombre de Jesus: April 29, 1996

Juan: community leader in Apompua, April 1996

Juan de las Mesas: community leader in Matazano, March 15, 1996

Lanza, Francisco, President of the Association of Coffee Growers of Matagalpa, May 18, 1996

Núñez, Daniel: President of UNAG Nacional, Managua, May, 1996.

Napoleón: Coordinator of UNAG, Sébaco, May 16, 1996

Natividad: community leader, Dulce Nombre de Jesus, May 3, 1996

Omar: community leader in Montaña Grande, April 15, 1996

Reynaldo: community leader in Montaña Grande, April 16, 1996.

Ruis, Manuel Coordinator of Prodesa, May 24, 1996

Treminio, Pedro: Municipal Coordinator of UNAG in Dario, May 16

Valle, Marta: Women's section of UNAG, Matagalpa, May, 1996

IMAGE EVALUATION TEST TARGET (QA-3)

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