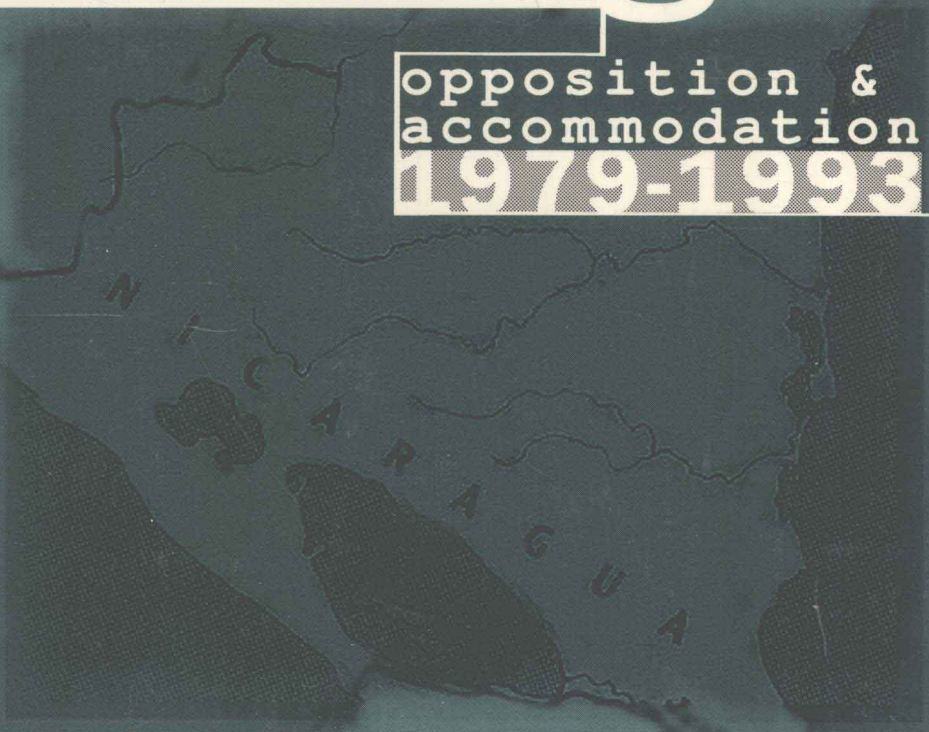
capitalists & revolution in nicaragua

opposition & accommodation 1979-1993



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preface

RAMIRO GURDIÁN Ortiz was an up-and-coming banana producer from an elite León family when the Sandinista revolution occurred. On a farm his father "carved out of the jungle," Gurdián had built up one of Nicaragua's larger banana plantations and was moving rapidly up the administrative ladder of Standard Fruit's Nicaragua operation. He was skeptical of the insurrection that swept the regime of Anastasio Somoza Debayle from power in 1979 and brought in the leaders of the FSLN, and he remained aloof from the political imbroglio that followed. But in 1980, Jorge Salazar, the president of his private sector association, the Nicaraguan Union of Agricultural and Livestock Producers (UPANIC), began organizing a counterrevolutionary expedition and was killed by state security forces during an arms transaction. Gurdián agreed to serve as his replacement in UPANIC. During the next ten years, he became one of the nation's most outspoken critics of the Sandinista regime. He was arrested, convicted, and placed on probation for violating the censorship provisions of the 1982 National Emergency decree; his farm was confiscated without compensation; his family scattered, leaving him as the sole continuing resident of Nicaragua.

Ricardo Coronel Kautz was a part-time rancher and full-time administrator of the livestock enterprise owned by the region's largest sugar mill, the Ingenio San Antonio, prior to the revolution. Son of José Coronel Urtecho, a prominent Nicaraguan intellectual who had served as a diplomatic representative of the Somoza regime but became increasingly disaffected, and his muse, María Kautz, a Nicaraguan of German descent whose family had been dispossessed of its primary estate by the Somoza regime during World War II, Coronel had developed an abiding antipathy for the Somoza dynasty. As a top administrator of Nicaragua's most prominent agroindustrial complex, Coronel helped organize an underground political movement among the technical staff in support of the Sandinista insurrection. In 1977 he was named to the prestigious Los Doce, a group of twelve prominent business, religious, and intellectual leaders

who lobbied for international political support for the Sandinista cause in the final years of the insurrection. When he returned to Nicaragua after Somoza's departure, he was appointed a vice-minister of agriculture and agrarian reform. For eleven years, Coronel served in the Nicaraguan government, exercising considerable influence over the state farm sector and agricultural development policy throughout the Sandinista era.

These vignettes suggest the range of views held by Nicaraguan economic elites about the Sandinista revolution. The relationship between the revolutionary government and most of Nicaragua's traditional business elite was generally antagonistic. Yet during the same period, some endorsed the revolution and became active participants in the social transitions it produced. Others ranged in between, reaching a tenuous accommodation with the regime but retaining a critical distance.

Two broad questions shape this study. The first addresses the theoretical debate about the composition and segmentation of the bourgeoisie. This analysis explores the unity/division of the capitalist class as it interacts with other social sectors. The second focuses on the capacity of economic elites to participate in a process of social change. This discussion evaluates the capacity of the elites to contribute to or to impede equitable distribution and the collective development of the nation.

Structural analysis, which has provided the dominant theoretical and methodological framework in Latin American studies for the last two decades, typically assumes a high degree of class cohesion. According to this approach, "capital" has clear interests and needs defined by its structural position in the economy. The dominant class is found to use its resources to impose constraints on other actors, limiting the options for structural change. The state may attain a "relative autonomy" from the business sector, but this autonomy is ultimately limited by the structural dependence of the state on capital. Capital, therefore, is understood as an increasingly united, cohesive actor. To the extent that segmentation occurs within the bourgeoisie, one fraction tends to emerge as the dominant force and exercise direction over the others.

Because of the fundamental cohesion of the bourgeoisie alleged in this model, any notions of cross-class alliances between the underclass and elements of the bourgeoisie are seen as inherently flawed. The participation of capitalist partners in a reform coalition is seen as ultimately undermining the movement because they are expected to serve the long-run interests of the dominant fraction of their class. For any structural transformation to occur, this exploitative class must be removed from power.

Yet Popular Front struggles and many progressive electoral strategies have been premised on the assumption that movements for social change can draw on the energies of a range of class actors, including elements of a "nationalist" or "progressive" bourgeoisie. Both Social Democratic and Democratic Socialist coalitions have understood the necessity for a continually evolving class compromise involving a component of the private sector in their movement. Latin American Populist and Third World National Liberation movements have traditionally drawn on a multiclass coalition that, while limiting the redistributive impact of the outcome, also allows for the participation of economic elites who can insert themselves into the changing economic order.

New research traditions, such as strategic choice analysis, explore more open, less deterministic models of social change.[1] These approaches assume that actors are not fully bound by their structural positions. Participants in political negotiations are viewed as volitional agents who operate with an element of discretion, allowing the use of analytical schemes that are more dynamic and interactive. In these models, changing calculations of costs and benefits, combined with multilevel bargaining, produce highly complex and varied alliance strategies. This relatively open approach may better capture moments of "extraordinary" politics, when regimes undergo transitions and the social compact is subject to revision.

Attention to complex alliances and ongoing bargaining reopens questions about the character and political roles of capital in Latin America. These questions will become increasingly central in the study of Latin American politics in the 1990s. Throughout much of this region, the fiscal crisis of the state and the weakness of foreign financial support now move the local business elite toward the strategic center of the development debate. Finding a way to engage the resources and energies of business elites and break the cycle of capital flight, while simultaneously opening new social and economic opportunities to nonelites, will be a central challenge for Latin American leaders in the coming years.

My research on the relationship between the state, capitalists, and revolution began in 1982 when, with support from the National Endowment for the Humanities, I started a research project on the Sandinista concept of the "mixed economy." That year my annual trek to Nicaragua began. Support from the University Research Council and the College of Liberal Arts and Sciences of DePaul University allowed me to mount an ongoing research effort on the shifting dynamics of the Nicaraguan revolution.

My attention was increasingly drawn to the anomalous role of the

local bourgeoisie in the revolution. Much of the material on Nicaragua during this period focused on the contra war and the conflict with the United States. Less understood were the complex, internal relationships that played a critical role in shaping the development of the revolution. To analyze the way in which the revolution unfolded, I carefully examined these internal dynamics. Given the centrality of the agricultural sector in the national economy, I concentrated on the agricultural and agroindustrial sectors. In 1985–87, I began a series of interviews with leaders of the major private sector organizations.

By the time I began my interviews, a sizable core of the prerevolutionary economic elite had left the country. The effort to better understand elite-state dynamics in the Somoza era and the impact of emigration on the revolution took me to Miami, where I conducted a round of interviews in 1988 with seventeen former and current Nicaraguan private sector leaders. The Latin American and Caribbean Center of Florida International University generously provided housing accommodations during my stay; Mark Rosenberg and Doug Kincaid provided intellectual and logistical support for this phase of my work.

Most of the research for this book was completed in 1989–90 with support from the Joint Committee on Latin American Studies of the Social Science Research Council and American Council of Learned Societies with funds provided by the Andrew W. Mellon Foundation and the Ford Foundation, and with support from the Howard Heinz Foundation. A fellowship at the Kellogg Institute of International Studies at Notre Dame provided a congenial environment in which to begin writing this book. I am grateful to generous and supportive colleagues at all of these institutions for facilitating this research.

Research in Nicaragua would not have been possible without the extensive assistance provided by Laura Enríquez, Amalia Chamorro, Peter Utting, Peter Marchetti, Eduardo Baumeister, Rodolfo Delgado Cáceres, and Paul Oquist. I am also grateful for the research assistance provided by Freddy Quesada, Carlos Molina, and Edith Muñoz. Invaluable intellectual companionship was provided at different phases in this process by Florence Babb, Martin Diskin, David Dye, Dennis Gilbert, Richard Grossman, Barbara Kritt, Shelley McConnell, Alice McGrath, Jack Spence, George Vickers, Phillip Williams, and Daniel Wolf.

Several colleagues read versions of my work as it wended its way toward the final draft. John Booth, Laura Enríquez, Ilja Luciak, Steven Sanderson, Richard Stahler-Sholk, Evelyne Huber Stephens, and Carlos Vilas deserve

special thanks for their constructive criticisms, as do my colleagues Mike Alvarez and Pat Callahan. For their useful comments on the comparative framework and some of the theoretical constructs employed here, I want to thank David Collier, Sandra McGee Deutch, Francisco Durand, Jeffrey Paige, and Eduardo Silva. Lisa Milam and Veronica Diaz helped me to polish and produce the final version of the manuscript. David Perry at the University of North Carolina Press gently and efficiently shepherded the manuscript to publication, and Stephanie Wenzel proved a remarkably keen-eyed copyeditor. The usual disclaimers about responsibility for the remaining flaws in this work apply.

I also want to thank the private producers in Nicaragua who gave generously of their time to introduce an unschooled *chela* to the world of Nicaraguan business and agricultural production. Ramiro Gurdián, for many years the president of UPANIC and currently the president of COSEP, and Daniel Núñez, long-term president of UNAG, provided invaluable advice and suggestions; without their help this book would not have been possible. I am also deeply indebted to Mario Hanón and his family for their many kindnesses over the years. While most of those producers whom I have interviewed will take issue with different parts of my analysis, I hope that they will see merit in it as well.

Finally, I want to thank my patient and generous husband, William Denton, who sacrificed as much as I did to get this book written and who wasn't able to share much of the fun; my daughter Claire, who walked this long journey right by my side; and my daughter Grace, who was born just as it came to an end.

ACBN	Asociación de Criadores de Ganado Brahman de Nicaragua
ADACH	Asociación de Algodoneros de Chinandega
ADAL	Asociación de Algodoneros de León
ADEX	Asociación de Exportadores (Peru)
AGROEXCO	Corporación Propulsora de Agroexportaciones
ANAR	Asociación Nicaragüense de Arroceros de Riego
ANEP	Asociación Nacional de la Empresa Privada (El Salvador)
ANPROBA	Asociación Nacional de Productores de Banano
ANPROSOR	Asociación Nacional de Productores de Sorgo
ANSCA	Algodoneros Nicaragüenses Sociedad Cooperativa Anónima
APENN	Asociación Nicaragüense de Productores y Exportadores de Productos No-Tradicionales
APP	Area de Propiedad del Pueblo
ARENA	Alianza Republicana Nacionalista (El Salvador)
ASCANIC	Asociación de Cañeros de Nicaragua
ASGANIC	Asociación de Ganaderos de Nicaragua
ATC	Asociación de Trabajadores del Campo
BANAMER	Banco de América
BANIC	Banco Nicaragüense
BANPRO	Banco de la Producción
BCN	Banco Central de Nicaragua
BND	Banco Nacional de Desarrollo (formerly BNN, Banco Nacional de Nicaragua)
CAAN	Confederación de Asociaciones de Algodoneros de Nicaragua
CACM	Central American Common Market
CADE	Conferencia Anual de Empresarios (Peru)
CADIN	Cámara de Industrias de Nicaragua

CAFENIC	Corporación Nicaragüense del Café
CANACINTRA	Cámara Nacional de la Industria de Transformación (Mexico)
CARNIC	Carnicería de Nicaragua
CAS	Cooperativa Agrícola Sandinista
CCS	Cooperativa de Crédito y Servicio
CEPAL	Comisión Económica para América Latina y el Caribe
CIERA	Centro de Investigaciones y Estudios de la Reforma Agraria
CIPRES	Centro para la Investigación, la Promoción y el Desarrollo Rural y Social
CISA	Comercial Industrial, S.A.
CNG	Comisión Nacional de Ganadería
COIP	Corporación Industrial del Pueblo
CONAL	Comisión Nacional del Algodón
CONAPRO	Confederación de Asociaciones Profesionales
CONAZUCAR	Corporación Nicaragüense de la Agroindustria Azucarera
CONCAFE	Comisión Nacional del Café
CONCAMIN	Confederación de Cámaras Industriales (Mexico)
CONCANACO	Confederación Nacional de Cámaras de Comercio (Mexico)
COPARMEX	Confederación Patronal de la República Mexicana
COPROCO	Confederación de la Producción y el Comercio (Chile)
CORDENIC	Comisión sobre la Recuperación y el Desarrollo de Nicaragua
CORFO	Corporación de Fomento de Producción (Chile)
CORNAP	Corporaciones Nacionales del Sector Público
COSEP	Consejo Superior de la Empresa Privada
COSIP	Consejo Superior de la Iniciativa Privada
CRIES	Coordinadora Regional de Investigaciones Económicas y Sociales
CST	Central Sandinista de Trabajadores
ECLA	Economic Commission on Latin America
ECODEPA	Empresa Cooperativa de Productores Agropecuarios
ENAL	Empresa Nicaragüense del Algodón
ENALUF	Empresa Nacional de Luz y Fuerza
EPS	Ejército Popular Sandinista

FAGANIC	Federación de Asociaciones Ganaderas de Nicaragua
FAO	Frente Amplio Opositor
FIDA	Fondo Internacional de Desarrollo Agrícola
FIDEG	Fundación Internacional para el Desafío Económico Global
FNI	Fondo Nicaragüense de Inversión
FNT	Frente Nacional de Trabajadores
FONDILAC	Fondo de Desarrollo de la Industria Láctea
FSLN	Frente Sandinista de Liberación Nacional
GAO	General Accounting Office (United States)
GRACSA	Grasas y Aceites, S.A.
HATONIC	Sociedad de Empresas Pecuarias del APP
IBRD	International Bank of Reconstruction and Development
IDB	Inter-American Development Bank
IHCA	Instituto Histórico Centroamericano
IMF	International Monetary Fund
INCAE	Instituto Centroamericano de Administración de Empresas
INCAFE	Instituto Nacional del Café (El Salvador)
INDE	Instituto Nicaragüense de Desarrollo
INFONAC	Instituto de Fomento Nacional
INIES	Instituto Nicaragüense de Investigaciones Económicas y Sociales
INIESEP	Instituto de Investigaciones Económicas y Sociales de la Empresa Privada
ISA	Ingenio San Antonio
JEA	Jamaica Exporters' Association
JGRN	Junta de Gobierno de Reconstrucción Nacional
LASA	Latin American Studies Association
MDN	Movimiento Democrático Nicaragüense
MEDA	Marco Estratégico del Desarrollo Agropecuario
MEDE	Ministerio de Economía y Desarrollo
MIDINRA	Ministerio de Desarrollo Agropecuario y Reforma Agraria
MIPLAN	Ministerio de Planificación
mz.	manzana (.7 hectares)
NAFINSA	Nacional Financiera, S.A. (Mexico)
OAS	Organization of American States

OCALSA	Organización César Augusto Lacayo, S.A.
PIP	Programa de Inversión Pública
PLC	Partido Liberal Constitucionalista
PLI	Partido Liberal Independiente
PRI	Partido Revolucionario Institucional (Mexico)
qt.	quintal (100 pounds)
qt. oro	100 pounds processed
SAIMSA	Servicio Agrícola-Industrial de Masaya, S.A.
SNA	Sociedad Nacional de Agricultura (Chile)
SNI	Sociedad Nacional de Industrias (Peru)
SOFOFA	Sociedad de Fomento Fabril (Chile)
SPP	Secretaría de Planificación y Presupuesto
TIMAL	Ingenio Tipitapa-Malacatoya
UCA	Universidad Centroamericana
UDEL	Unión Democrática de Liberación
UNAG	Unión Nacional de Agricultores y Ganaderos
UNAN	Universidad Nacional Autónoma de Nicaragua
UNCAFENIC	Unión Nacional de Caficultores de Nicaragua
UNO	Unión Nacional Opositora
UP	Unidad Popular (Chile)
UPANIC	Unión de Productores Agropecuarios de Nicaragua
USAID	U.S. Agency for International Development
USDA	U.S. Department of Agriculture

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chapter 1

Capitalists and Revolution

> It is a complex problem, but we have not given up the search for ways of integrating the more-or-less large individual producers who live in Nicaragua today into a social formation in which revolutionary hegemony prevails.
>
> —Jaime Wheelock Román, *El gran desafío*

DEVELOPMENTALISTS, social theorists, and revolutionaries have long puzzled over the problematic role of economic elites in the process of social change. Much of the general literature on revolution and structural reform presents the dominant class as a homogeneous entity intransigent in its opposition to significant change. As beneficiaries of the status quo, economic elites are seen as a primary obstacle to social restructuring, often in close cooperation with foreign capital.

In recent years, however, many of the standard categories used to chart contending social forces, such as "workers," "peasants," and "bourgeoisie," seem increasingly inadequate to describe what are often highly differentiated clusters of people. Workers moving steadily into the informal sector now lack a formal employer counterpart and become self-employed; peasants have weaker ties to the land and rotate annually through a series of job categories and residences; the bourgeoisie is divided into a series of competing layers whose relative fortunes rise and fall. The inability of the traditional conceptual categories to accommodate this acute diversity calls for the use of different analytical methods and the development of new conceptual schemes. For studies of the bourgeoisie, a closer analysis of the social sectors that make up the elite is in order.

The search for the fissures within the dominant elite is not simply an analytical exercise in social dissection. This task has been a central preoccupation of proponents of social change. Underlying much of this kind of analysis has been the desire of both academicians and political practitioners to locate a "progressive" sector of the bourgeoisie. Academic analysts such as Barrington Moore (1966) claimed to find such a sector, arguing that there were circumstances under which an urban bourgeoi-

sie could break with traditional landholding elites and nudge the political system toward democracy. Some reform-oriented political leaders also claimed allies within the economic elite. Needing the economic capabilities, international credibility, and domestic leverage that such coalition partners would provide, these politicians searched assiduously for business leaders with whom to link arms.

Leaders of populist movements were particularly inclined to seek an alliance with a "nationalist bourgeoisie." Populism as an ideology presented no barrier to the inclusion of national elites; indeed, the overriding nationalism embedded in populism called these leaders to strengthen local economic strongholds. Cultivation of emerging industrialists often secured their support. Juan Perón's success in building an alliance with small- and medium-sized capitalists through the Confederación General Económica in Argentina has been well documented (Acuña 1991; Teichman 1981). In spite of its social base in labor, the Peronist coalition anchored the support of emerging elites in the light industry sector, firms that manufactured for the domestic market, and industries that were less dependent on imports. Since these kinds of industrialists benefited from an expanding local market, they could find common cause with unionized labor in its bid for increased earnings. Although old, established elite organizations moved firmly into the opposition, emerging elites included prominent allies.

Even democratic socialist movements typically found it necessary to court a segment of the economic elite, in spite of ideological reservations. To locate a theoretical rationale for this compromise, the concept of a "non-monopoly" bourgeoisie was sometimes employed. A non-monopoly bourgeoisie was differentiated from the hegemonic, monopoly sector by the former's unfavorable economic position and tendency to be eroded by the monopoly sector. This alliance was reinforced in dependent nations by the tension between subordinated local capital and hegemonic foreign capital. Alliances between a nonhegemonic, small- and medium-sized local capitalist faction and the peasant and worker underclass, it was argued, would undercut the foreign-oriented, hegemonic bourgeoisie and allow for a process of socialist transition.[1]

This form of social theory and consequent alliance strategy had its critics. For analysts of the bourgeoisie like Nicos Poulantzas and André Gunder Frank, the effort to locate a sector of the dominant class that could accept social change was futile and self-defeating.[2] In a monumental study of agrarian, industrial, and financial factions of the Chilean bour-

geoisie, Maurice Zeitlin and Richard Earl Ratcliff add empirical support to this interpretation. Their detailed study of the social structure of the top Chilean elite in the 1960s produced "a discovery of great import: an incomparably large effective kinship unit, formed of multiply intermarried banking, industrial, and landowning families, erases any ostensible social cleavages between supposedly contending landowning vs. capitalist 'upper' classes in these economic sectors" (Zeitlin and Ratcliff 1988, 173).

Because of the presence of close family members who straddled sectoral divisions, Zeitlin and Ratcliff concluded that contradictions between top capitalists with different structural locations in the economy were muted. Clashes and divisions between capitalist sectors in the twentieth century, they argued, "arose not between ontologically real rivals, but within the bosom of the same class" (Zeitlin and Ratcliff 1988, 208). Divisions that other analysts had found to segment the capitalist class—between bankers and industrialists, owners and managers, large landowners and urban capitalists, foreign and local capital—are minimized here, since bonds of kinship ultimately were found to weave these sectors together.[3]

This discussion of the character and political predilections of the Latin American bourgeoisie reflects two competing visions. In one view, the bourgeoisie, in spite of some sectoral divisions, is essentially a unitary actor. Interpenetration through family, financial, or contractual ties overcomes any tendency toward segmentation. In the other, real differences exist within the bourgeoisie that incline different segments or clusters toward different political projects.

This book tackles the question of the unity/division of the economic elite by focusing on the elite's political interactions with the state during periods of state-led reform. Episodes of structural change put enormous pressure on both the state and the bourgeoisie. Established social hierarchies and resource allocation patterns are called sharply into question. A sense of peril propels the elite into direct political action. This moment can either increase the unity of the elite, as it attempts to defend established privileges or obtain new ones, or divide it, as different segments negotiate for an improved position relative to the others.

The way the bourgeoisie responds, I argue, depends on a series of factors. Central among these are (1) the degree to which oligarchical control over the elite has been ruptured, (2) the organizational autonomy and density of private sector associations, (3) the degree of perceived class-based threat posed by the state, (4) the extent to which the revolutionary regime succeeds in institutionalizing a new political order, and (5) the capacity of