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NICARAGUA'S SURVIVAL: CHOICES IN A NEOLIBERAL WORLD

by

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ABSTRACT

NICARAGUA'S SURVIVAL: CHOICES IN A NEOLIBERAL WORLD

Stanley G. Hash, Jr.
Old Dominion University, 2006
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In January 1990 the Nicaraguan electorate chose to abandon the failing Sandinista Revolution in favor of the economic neoliberal rubric. However, since 1990 Nicaragua's economy has been stagnant. Today it is one of the four poorest states in Latin America having been one of the wealthiest before 1975.

The purpose of this work is to explain Nicaragua's poor performance since 1990. The hypothesis is that domestic independent variables are central to recovery and are the underlying causes of Nicaragua's failure to fully recover.

The abuses of the Somozas' *ancien régime* before the 1979 revolution are well documented; less well documented is the continuation of those practices. However, abuses such as pervasive corruption alone do not explain the failure. This work treats four major domestic independent variables as the collective determinant: the Roman Catholic Church, organized labor, the role of the business community and its instruments, and civil society with the residual effect from the FSLN period. Each variable has its own impact on outcomes in Nicaragua, and the failure has defied the predictions of neoliberal proponents and the international effort to implement neoliberalism. This work validates that domestic independent variables have a greater effect than external independent variables as determinants for recovery.

Methods of research include an examination of available data and literature, and a review of events that have affected internal variables. Field research in Nicaragua was conducted to further investigate the dynamics of the domestic independent variables. Follow-up to field study was accomplished through further research and electronic contact with primary sources.

The contribution to scholarship is the treatment of the internal variables as primary determinants for recovery. Highly indebted poor countries” (HIPC) states are a first-order project of powerful states that recognize that a renewed strategy must be developed. This work provides insight and direction toward that end.

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ABBREVIATIONS, GLOSSARY, ACRONYMS AND TERMS

Adjustment	Refers to the period after the defeat of FSLN presidential candidate Daniel Ortega in 1990. This term is used exclusively by FSLN supporters.
Ajuste	(Spanish) See adjustment.
AMNLAE	Asociación de Mujeres Nicaragüenses Luisa Amada Espinosa. Successor organization to AMPRONAC after the FSLN victory.
AMPRONAC	Asociación de Mujeres ante la Problemática Nacional (Association of Women Against the National Problem). Replaced by AMNLAE
APRE	Alianza Para La Republica (Alliance for the Republic), political party formed by President Bolaños after breaking with the PLC.
ATC	Asociación de Trabajadores Campesinos (Association of Agricultural Workers).
BND	National Development Bank (Banco Nacional de Desarrollo)
BOS	Opposition Block of the South (Bloque de Oposición del Sur) led by Edén Pastora.
CACM	Central American Common Market
CAFTA	Central American Free Trade Association (also known in its later iteration as the Dominican Republic and Central American Free Trade Association: DR-CAFTA) Ratified by the U.S. Senate in June 2005 and passed by the U.S. House of Representatives on 28 July 2005.
CDS	Sandinista Defense Committee (Comité de Defensa Sandinista) (On the model of the Cuban Revolution's Committees for the Defense of the Revolution - CDRs)
CEB	Christian Base Communities (Comunidades Eclesiásticas de Base)
CELAM	General Conference of Latin American Bishops (series) First: Rio de Janeiro, Brazil Second: Medellin, Colombia Third: Puebla, Mexico

CIN	Chamber of Nicaraguan Industries (Cámara de Industrias de Nicaragua)
CEPAL	Comisión Económica para América Latina (See ECLAC)
CNMN	National Teachers' Confederation of Nicaragua (Confederación Nacional de Maestros Nicaragüenses)
Contra	Counter-revolutionary (contrarevolucionario) as individual, organization or movement.
CDCC	Coordinadora Democratic Coordinating Committee, a CIA-funded temporary political coalition of conservatives who were closely associated with the COSEP in the 1984 presidential election. Its purpose was to spoil the legitimacy of the election in which Daniel Ortega was expected to win.
Coordinadora Civil (CC)	A coalition of approximately 50 civil organizations that were formed after Hurricane Mitch in 1998 to “support, link and harmonize . . . member organizations to . . . enhance common efforts for the construction of citizenship aimed at achieving human and sustainable development . . .” Available [Online]: http://www.ccer.org.ni [15 October 2005]
COSEP	Superior Council of Private Enterprises (National Chamber of Commerce equiv.) (Comisión Superiór de Empresas Privadas)
COSIP	Former name of COSEP (above) before 1975.
CPT	Permanent Congress of Workers (Congreso Permanente de Trabajadores)
CTN	Confederation of Nicaraguan Workers (Confederación de Trabajadores Nicaragüenses)
CST	Sandinista Workers' Federation (Central Sandinista de Trabajadores)
CUS	Confederation for Trade Unions Unity (Confederación Unida de Sindicatos)
Dedazo	(Spanish) Latin American slang for naming or “fingering” a successor candidate.
DN	National Directorate (of the FSLN) (Directorio Nacional)

DR-CAFTA	See CAFTA; the Dominican Republic joined the regime later in the process and has since been included in the acronym. DR-CAFTA was ratified by the U.S. Senate in June 2005 and passed by the U.S. House of Representatives on 28 July 2005.
ECLAC	Economic Commission of Latin America and the Caribbean (a United Nations sub-organization headquartered in Santiago, Chile; also known by its Spanish acronym CEPAL (Comisión Económica para América Latina y El Caribe).
El Triúnfo	(Spanish) The Triumph, a term still used to define the moment of Sandinista victorious arrival in Managua on 19 July 1979 and a general reference to the FSLN victory over Somoza forces.
EPS	Popular Sandinista Army (Ejército Popular Sandinista)
ESF	Economic Support Fund, a sub-agency of the United States Agency for International Development.
ESAF	Estrategia Antipobreza Facilidad (ESAF), see PRGF
FPN	National Patriotic Front (Frente Patriótica Nacional)
FACS	Augustino C. Sandino Foundation (Fundación Augustino C. Sandino)
FECAICA	Federation of Chambers and Associations of Central American Industries (Federación de Cámaras y Asociaciones Industrias Centroamericanas)
FAO	Broad Opposition Front (Frente Amplio Oposición) (See UNO)
FNT	National Workers' Front (Frente Nacional de Trabajadores)
FPN	National Patriotic Front (Frente Patriótica Nacional)
FSLN	National Sandinista Liberation Front (Frente Sandinista de Liberación Nacional)
FTAA	Free Trade Area of the Americas Agreement initiated by the Clinton administration
FO	Workers' Front (Frente Obrero)

G-8	Group of Eight (most highly industrialized and wealthy states) that controls most international economic instruments of power. Known as the G-5 and G-7 in earlier iterations. Current membership is the United States, Canada, Russia, Great Britain, Japan, Germany, Italy and France.
GN	National Guard (Guardia Nacional)
HIPC	Highly Indebted Poor Country(ies)
IMF	International Monetary Fund
IRBD	International Bank for Reconstruction and Development (one of five major World Bank operating entities) whose mission is to provide long-term funding and assistance for major infrastructure projects for applying states.
IDA	The International Development Association (one of five major operating World Bank operating entities) whose mission is providing credits and grants to the 81 world's poorest states.
IADB (IDB)	Inter-American Development Bank
Los Doce	(Spanish) Group of Twelve (political and business leaders who supported moderation)
MDN	Nicaraguan Democratic Movement (Movimiento Democrático Nicaragüense)
MPU	United Peoples' Movement (Movimiento del Pueblo Unido)
NAFTA	North American Free Trade Agreement
OAS	Organization of American States
Obrerista	(Spanish) Labor movement that was coopted by Somoza García that, on the surface, demonstrated support of "worker pride and empowerment" but was, in fact, a method of controlling labor and labor unions.
ODA	Official development assistance
OECD	Organization for Economic Cooperation and Development

Paris Club	Thirty-two (nineteen permanent) creditor states that control major instruments of economic power.
PCLT	Popular Church of Liberation Theology.
PCN	Communist Party of Nicaragua (Partido Comunista Nicaragüense)
PDCN	Democratic Party of National Confidence (Partido Democrático de Confianza Nacional)
PL	Liberal Party (Partido Liberal)
PLC	Liberal Constitutionalist Party (Partido Liberal Constitucionalista)
PMLN	Nicaraguan Marxist/Leninist Party (Partido Marxista/Leninista de Nicaragua)
PPSC	Popular Social Christian Party (Partido Popular Social Cristiano)
PRGF	Poverty Reduction and Growth Facility (a component of the HIPC program that requires subject states to submit a plan for approval before debt relief is started)
PRT	Workers' Revolutionary Party (Partido Revolucionario de Trabajadores)
PSN	Nicaragua Socialist Party
PSCN	Nicaraguan Social Christian Party (Partido Social Cristiano Nicaragüense)
RAAN	Spanish acronym for National Autonomous Region North that was formerly known as North Zelaya Region before its renaming by the FSLN government. This is Nicaragua's northeastern-most state bordered on its long eastern coast by the Caribbean Sea and the north by Honduras.
RAAS	Spanish acronym for the National Autonomous Region South that was formerly known as South Zelaya Province before its renaming by the FSLN government. This is Nicaragua's southeastern-most state bordered on the east by the Caribbean Sea and the south by Costa Rica.

Somoza	Anastasio Somoza García: b. 1896; d. 1956 Nickname: Tacho President or defacto power: 1936-1956
	Luis Somoza Debayle, b. 1922; d. 1967 Nickname: Luis President: 1957-1963
	Anastasio Somoza Debayle, b. 1926; d. 1980 Nickname: Tachito; Tacho on death of father President or defacto power: 1963-1979
Third Way	Faction that supported ideological pluralism under leadership of the Ortegas. The Third Way was the successful effort to expand the revolution's appeal to disaffected middle class and others who opposed Somoza regardless of political affiliation. The joining of the middle/business classes with the FSLN was key to the formation of the Third Way and ultimate success of the FSLN revolution.
Triúnfo	Term used by FSLN members and its supporters for the successful overthrow of Anastasio Somoza Debayle in July 1979, and the assumption of power by the FSLN Directorate. Usually heard as el triunfo (the triumph).
Triumph	See triunfo
UCA	Central America University (Universidad Centroamericana) in Managua
UC	Catholic University (Universidad Católica)
UNAG	National Union of Farmers and Cattlemen (Unión de Agricultores y Ganaderos)
UNAN	National Autonomous University of Nicaragua (Universidad Nacional Autónoma de Nicaragua)
UNO	National Opposition Front (Frente Nacional Opositora) a loose coalition of political parties formed in 1982 from the CDN (Nicaraguan Democratic Coordinating Group) that opposed FSLN programs and 13 others on whose ticket Chamorro won in 1990.

CHAPTER I

INTRODUCTION

This work presents an explanation for Nicaragua's failure to recover economically since 1990 after its eleven-year experiment with a mixed-model economy under the Sandinista National Liberation Front (FSLN). The explanation is defined not in the discipline of an economist, but in a comprehensive study of the behavior of the important domestic independent variables affected by political behavior, historical experience and influences of the long-term culture of the Republic.

The usual but least explanatory approach, is a review of available literature and up-to-date data of the efforts of powerful states to assist Nicaragua. Such an approach fails to fully consider the role of internal dynamics that are at least as important to the explanation of the failure and long-term solution toward a legitimate and full recovery.

During the G8 summit meeting held in Gleneagles, Scotland 6 to 8 July 2005, leaders of the world's most powerful states acknowledged that their efforts to date had failed to stimulate many HIPC states' economies, and that the failure would have a deleterious effect on the long-term neoliberal agenda. At the conclusion of the conference, the leaders chose to rededicate and increase efforts to help the most destitute states recover. While the conference was focused on the poorest African states, the poorest of

This dissertation follows the format requirements of *The Chicago Manual of Style*, 15th Edition. Unless otherwise noted, all Spanish-language translations are my own.

Latin American states were included in the discussion.¹ It is notable that the neoliberal agenda was assumed as the correct solution for recovery of those states.

In the post-Cold War environment there is no political agenda for the G8 states; rather, the world's most powerful states put economic health at the top of their collective agenda. That agenda, under the neoliberal economic rubric, includes full participation by all states in the world system. Hence, the G8 states' collective programs are focused on open markets and unimpeded trade to fully implement a totally restriction-free world economic system. It is of note, however, that G8 states interests vary according to region. Proximity and historic trade relationships including colonial history have a positive correlation with the percentage of foreign aid budget devoted to any particular region. An example of such correlation is that in the 2000-2001 period the European Union's contribution to overall official development assistance for Latin America was twenty-four percent while during the same period the European ODA budget contributed sixty-one percent of the overall contribution to Africa.²

The failure of the programs put in place through such instruments as the World Bank, the IMF and the Inter-American Development Bank in the Western Hemisphere defies expectations and betrays the most careful planning of those institutions. The G8

¹Most of the failed states that were the major agenda topic for the G8 summit are in Africa; however, there are four in Latin America of which the Republic of Nicaragua is one. To "qualify" for such attention is a reflection of extreme economic disparity and a failing economy. The formula for determining which states fall into the most needy list is made by the G8 instruments of economic power led by the World Bank and the IMF. The Paris Club member states generally follow the guidelines of the G8.

²Carnegie Endowment for International Peace, "The EU and International Development," *Foreign Policy* (Washington, D.C.: Carnegie Endowment for International Peace, September/October 2005), 10.

states, including Russia, would far prefer that all states fully participate in the neoliberal world economic system that has developed since the close of the Cold War.

In July 2005, despite the absence of clear explanations and dissent from some quarters, the consensus was that the world's most powerful states had no choice but to continue efforts to rescue the most destitute states.³ Unspoken but well understood in the minds of the G8 leaders was that desperate people living in desperate times would take desperate steps to gain social and economic equity. The rededicated effort, however, deals only with the external variables over which the G8 has positive control.⁴

The Gleneagles conference rededicated efforts to support the United Nations Millennium Development Goals postponing the completion date to 2015.⁵ Among the eight-point plan are commitments toward further debt forgiveness, increased aid, eradication of extreme poverty, eradication of HIV and polio and the reduction of domestic subsidies to the prejudice of HIPC export earnings. Also included was a statement that HIPC state leaders would be expected to formulate their own development planning and be held accountable to the people. However, no implementing plans were articulated in the final press release.

³United Kingdom Government. G8 Gleneagles 2005 site. Available [Online]: <http://www.g8.gov.uk/servlet/ServletFront?pagename=OpenMarket/Xcelerate/ShowPage&cid=1078995902703> [26 February 2006].

⁴This is not to say that the G8 programs administered through the World Bank, the IMF and the IDB do not demand internal reform and condition full implementation of recovery programs, but that such reform is difficult to measure and easy to obfuscate. The history of post-1990 reform demanded by the international community for Nicaragua, especially during the Alemán period, is confusing at best. However, it is also obvious that the international community has adopted the habit of overlooking failures to comply for the greater interests of advancing the neoliberal agenda. See later discussion.

⁵Ibid. While the language of the final documents focuses on African HIPC states, the commitment recognized the need for all HIPC states.

Unquestionably, the determination of the G8 has both altruism and economic pragmatism at its core. While there was recognition that more must be done, there was no recognition that domestic independent variables must be addressed except in last item cited above.⁶

This work takes an alternative approach by exploring a combination of the most relevant domestic independent variables to explain the failure while holding constant the collective external independent variable: the support of the wealthy states. While there is no precise method of selecting which domestic independent variables are the most relevant to this study, at least four major variables are self-evident. However, an ordering of those is more difficult.

The selected domestic independent variables for this work, in order of relevancy apparent to this author greatest to least are (1) the Roman Catholic Church, (2) organized labor, (3) the business community and (4) the behavior of civil society in general that is influenced by the residual effects of the FSLN revolution. The collective behavior of these variables is seen as an impediment to the full implementation of the neoliberal program.

While keeping that external collective variable constant, three domestic independent variables are also kept constant. They are (1) pervasive graft and corruption, (2) the Spanish cultural heritage and (3) the political psyche of the Nicaraguan people conditioned over time by the actions of the United States and the abuses of Nicaragua's national leaders. In short, the four operative variables outlined above (the independent

⁶It should not be overlooked that the G8 instruments of economic power demand internal reforms and provide funding for such in their staged programs. Ultimately, accountability standards and goals are not enforceable, and leaders of HIPC states seldom are held to account by their electorates. See later discussion of long-term political conditioning and pervasive corruption.

internal variables) treated in this work are seen, in combination, as the most important to the long-term successful outcome of Nicaragua's full recovery.

The economic failure of Nicaragua in the post-revolutionary period since 1990 is a conundrum when one considers the fact that before the FSLN 1979 victory Nicaragua was one of the most prosperous and advanced states in Central America. While its prosperity was relative only to its most immediate neighbors, the people as a whole enjoyed higher incomes and slightly better conditions than those in neighboring states.⁷

The real result of the failure to recover after 1990 is reflected in the fact that Nicaragua is now one of the four poorest states in the Western Hemisphere with very high levels of poverty, poor social services and substandard living conditions for most of its people.

The most elusive internal independent variable, the national political psyche (held constant), is never-the-less very important to understand the frustrations of Latin Americans in their inability to determine their own destiny. This sentiment often can be seen in political poetry which is the most powerful expression of the frustrations that the people have with their long-term relationship with the United States' dominance in the hemisphere. Pablo Neruda's⁸ powerful poem, "The United Fruit Company," written more

⁷Since 1948, Costa Rica to the south has had a consistent record of relative prosperity but its natural resources are modest when compared to those of Nicaragua.

⁸Pablo Neruda, born Neftali Ricardo Reyes in 1904, the well-known 20th Century Chilean poet, was a critical observer of events, and much of his poetry is political commentary on the plight of the oppressed. Beginning in 1927, in the tradition of posting respected artists to diplomatic posts, Neruda was a life-long diplomat. He joined the Chilean communist party in 1943, and as a result was later expelled from Chile. He later served as the Chilean Ambassador to Paris during the Allende regime. He is well known for his large body of work including "Las Alturas de Machu Pichu" ("The Heights of Machu Pichu")—a poem in which he laments the plight of the Inca civilization. He

than a half a century ago still resonates in the hearts of Latin Americans, and reflects the desperation of Nicaragua and other Latin American states as they struggle to fit into the post-Cold War neoliberal model. “The United Fruit Company” reflects the frustration and skepticism in the hearts of Nicaraguans, and casts doubt as to whether the Republic will ever be free to find its own destiny whether they are caused by its own self perceptions or the continued external variables imposed on it by the international community. The first half of that equation is embodied in the behavior of the internal domestic variables that can be modified by Nicaraguans themselves; the second half, held constant, are those that cannot be easily changed.

Neruda viewed American corporations as both the source of corruption and the ultimate exploiters of the people. (In the context of the time, it is more difficult to understand his observations because Argentina and Chile were both relatively prosperous.) Today that view is held by many in Latin America and others who oppose the “globalization”⁹ of the world’s economies. In the minds of the people of south states, the north is complicit in the perpetuation of exploitation of the poor states; they are likewise very critical of their own leaders as having bought into the neoliberal solution. Those political leaders who follow the north states’ lead in exploitation are both held to account

criticized Chilean regimes without hesitation. His last posting was to Paris as Chile’s ambassador in 1971 where he served until 1973. He died in Chile just weeks after President Salvador Allende’s murder by the General Augusto Pinochet’s henchman in a coup d’etat in August 1972.

⁹This term is generally defined by its proponents as a totally restriction-free market economy on a world scale; an economy without any barriers to business and industry seeking the most efficient and therefore cheapest sources of resources including labor no matter the form. Opponents of globalization see it as a step backward and a tool of wealthy states to exploit weaker states. See discussion of neoliberalism in Chapter II.

for promises made under the banner of neoliberalism,¹⁰ and subject to removal if the promises of neoliberalism do not come to fruition.¹¹

According to the United Nations' Economic Commission on Latin America and the Caribbean (ECLAC-CEPAL), Nicaragua made very little or negligible progress in poverty reduction in the 1990s.¹² It was forecast that at the rate of progress it would take fifty years to halve the level of extreme poverty.¹³

The problems of extreme disparity and poverty in states such as Nicaragua are complex and the causes are many. The everyday reality of Nicaragua cannot be escaped.

¹⁰With reference to Marxism and Marx' predictions that capitalism would eventually run its course, even the people of those Latin American states that have had large communist and socialist political parties would have lost confidence, albeit not lost their frustrations with the increasing economic disparity throughout Latin America. Ironically, the very disparity that is extant today in Latin America can be seen as fodder for revolution in the Marxist model, but the failure of Marxism—even in the diluted form of the FSLN's mixed model—certainly must add to the potential for future revolutions, especially when the neoliberal economic rubric fails to produce results.

¹¹An example of the institutionalized structure of the north states' instruments of power well known to south states are contained in the charters of the World Bank and the International Monetary Fund. In both institutions, there is no "one state/one vote" system but a system in which voting power is proportional to the funding contribution of each member state. Member states' contributions are allocated based on formulae that measure relative economic strength. The system can be seen as permanently prejudicing the poorer states that, in effect, have a dependency relationship on the most economically powerful states. Further, only states that are members of the IMF may be members of the World Bank's International Bank for Reconstruction and Development, the primary instrument for debt relief.

¹² Ricardo Paes de Barros, et al., *Meeting the Millennium Poverty Reduction Targets in Latin America and the Caribbean*. (Santiago, Chile: Economic Commission for Latin America and the Caribbean - ECLAC/CEPAL, December 2002), 18.

¹³*Ibid.*, 27.

In 2003 Nicaragua's GNI per capita was \$750 ¹⁴ (by far the lowest in Latin America with Honduras as a distant second in Central America at \$960. ¹⁵ By comparison, the average GNI per capita for all of Latin America and the Caribbean was \$3,260. ¹⁶

The passion of Neruda's poem is more valid today than in years past because conditions are relatively worse, and despite the upheavals caused by revolutions in most of the Latin American states, including Nicaragua, progress has not been realized. ¹⁷ The extremely poor condition of the people in terms of social indicators belies the efforts of a wide mix of would-be benefactors. Aside from the unified efforts of the G8, these include non-governmental organizations such as Doctors without Borders, the direct bilateral aid of many Western governments including such unlikely diverse states as Japan and Denmark. ¹⁸

¹⁴World Bank, Millennium Development Goals Nicaragua. Available [Online]: <http://devdata.worldbank.org/idg/IDGProfile.asp?CCODE=NIC &CNAME= Nicaragua &SelectedCountry=NIC> [8 April 2006]. Latest data available from this source.

¹⁵Ibid. Data and Statistics, Latin America and the Caribbean. Available [Online]: <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/LACEXT/0,,menuPK:258575~pagePK:146732~piPK:146813~theSitePK:258554,00.html> [8 April 2006]. Latest data available from this source.

¹⁶Ibid., Millennium Development Goals Honduras. Available [Online]: <http://devdata.worldbank.org/idg/IDGProfile.asp?CCODE=HND&CNAME=Honduras&SelectedCountry=HND> [8 April 2006]. Latest data available from this source.

¹⁷Most particularly in Nicaragua, the frustrations of the deepest sort appear in poetry rather than in other written forms. There is a saying in Nicaragua that all Nicaraguans are poets at birth unless they prove themselves otherwise. Rubén Darío is the most famous of all Nicaraguan poets having played a key role in the modernist movement of the early 20th Century. His fame had a profound effect on Nicaraguan political poetry which was particularly abundant during the time of the Sandinista-led revolution in the mid-1970s. Two of the of the original Sandinista junta that took power in July 1979 were well-known poets, as well as the wife of former Sandinista president, Daniel Ortega.

¹⁸Jeffrey D. Sachs, "The Development Challenge." *Foreign Affairs*, Volume 84, Number 2 (New York: Council on Foreign Relations, March/April 2005), 78-90. The mix

In a speech given by United Nations Secretary General Kofi Annan on 21 March 2005 before the United Nations General Assembly, as one of a number of proposed reforms, he recommended that all wealthy states be assigned a fixed percentage seven tenths of their gross domestic product to help develop the world's poorest states rather than depend on a system of voluntary contributions.¹⁹ The realities include the fact that by late 2004, Nicaragua had failed to meet the United Nations-established goals²⁰ of extreme poverty reduction, and had not met its 2000 goal before. This pattern has remained constant since the first implementation of the ESAF/PRGF (Estrategia Antipobreza Facilidad/Poverty Reduction and Growth Facility). While some improvement has been seen in recent years, the ultimate goal seems even more elusive.²¹

of international aid is complex. It includes bilateral aid, aid through international and regional IGOs, aid delivered by NGOs that is contributed by states and private institutions/donors. According to the Organization for Economic Cooperation and Development (OECD), in 2004 the United States' contribution alone amounted to \$16.3 billion of which \$1.7 billion was turned over to multilateral IGOs such as the World Bank for distribution and the balance of \$14.6 billion was in bilateral aid. The total contribution amounted to approximately .07 percent of the national budget. While the total contribution is highest in the world, the relative contribution is low; Norway has the highest rate at .92 percent of its national budget.

¹⁹Kofi Annan, "In Larger Freedom" Executive Summary, 21 March 2004. Available [Online]: <http://www.un.org/largerfreedom/executivesummary.pdf> [8 December 2005].

²⁰In September 2000 the United Nations released its ambitious *Millennium Development Goals* project designed to reduce world-wide poverty by half by 2015 through a series of programs that include the participation of G8 instruments of economic power. Most particularly, The World Bank Group (heretofore referred to as the World Bank) and the IMF were to be a critical part of the overall scheme to alleviate poverty through programs of debt reduction and forgiveness; long-term, low-cost loans and grants. In March 2002, in furtherance of the project, the United States with other international partners adopted the Monterrey Consensus that focused on the development of the private sector to double the size of the economies of the poorest states in the world.

²¹United Nations, *Social Panorama of Latin America, 2004* (Santiago, Chile: Economic Commission for Latin America and the Caribbean - ECLAC, November 2004).

Social indicators represent the final and ultimate picture of the human condition, and while affected by politics and otherwise measured in economic terms, the human condition is what finally matters most. The data from the World Bank for Nicaragua, Costa Rica and Honduras reveal great variation and disparity.

Costa Rica is the only state among the three that has experienced, since 1948, a legitimate long-term political democracy. The people of Costa Rica have a sense of social responsibility that is unique in Latin America, and that sense is reflected in political stability and highly developed social security and state-run medical institutions.

Honduras, as the worst-case example, historically has been under the control of despotic governments that have shown little sense of social responsibility to the people. While it is, at least, a nominal democracy there is no clear evidence that the military will not intervene at will in the political process.

The data from the table below along are very revealing. The table provides a snapshot of Nicaragua's position in terms of gross national income per capita compared with its immediate neighbors. The is most meaningful because it has a direct bearing on its stability and long-term chances for improvement, and in the long view reflect a very real change in relative wealth.

Table 1: Comparative Social Indicators

Life Expectancy at birth	Under-five years years of age mortality/1,000	Child Malnutrition malnutrition by percentage	GNI per capita in United States Dollars

Nicaragua	69	38	10	740
Honduras	66	41	17	970
Costa Rica	79	10	5	4,300

Source: World Bank Group, Regional Fact Sheet from World Development Indicators 2005, Latin American and the Caribbean, *Facts and Figures from World Development Indicators*, 2005 (Washington, D.C.: World Bank Group, 2005). Available [Online]: <http://www.worldbank.org/data/quickreference/quickref.html> [18 May 2005]. While source is dated 18 May 2005, it reports only the latest (2003) information available.

The overall historical relationship between Latin America and the United States has been positive. From the writings of Simón Bolívar and his admiration for the early developing United States democracy,²² to Nicaraguan troop contributions to the Allied Forces during World War II, to (Somoza regime) Nicaraguan support in the Bay of Pigs

²²While in political exile in Jamaica in 1815, Simón Bolívar authored a well-known treatise on republicanism known as "Letter from Jamaica." He was an admirer of the new United States republic and a champion of Pan Americanism. (Today, Venezuela is officially known as the Bolivarian Republic of Venezuela to honor its national hero.) Bolívar's admiration and support of the United States and its political system as well as his anti-European attitude no doubt emboldened President Monroe to author what is known today as the Monroe Doctrine which was presented as a part of the state of the union address in 1823. Today, it is seen in the negative as the first United States' policy statement of deliberate domination and hegemonic behavior in the Western Hemisphere. (See Appendix III for selected text.)

invasion of Cuba, to current-day support for the United States in the War on Terrorism, Nicaragua, as with most of Latin America, views its future with the United States.²³

Even a cynic would see the Kennedy administration's Alliance for Progress developed during the height of the Cold War as a positive. The Alliance for Progress' central goal was to build and rebuild infrastructure in Latin America. If only driven by a Cold War motive and extension of the Monroe Doctrine to keep foreign powers out of the Western Hemisphere, the United State's contribution to development has been considerable.

Some see this relationship as harmful to Latin America—a sort of permanent corrupting *patrón* to the north, and the long-term cause of the well-established pattern of disparity and unjust economic relationships in Latin America.²⁴

²³This is notwithstanding the efforts of Venezuelan President Hugo Chavez to alter the historical relationship. Among his plans to alter the relationship was an announcement in mid-May 2005 to establish and operate a Southern Hemisphere radio network to promote Latin American solidarity and free itself of its historical relationship with the United States. Chavez' pro-Castro, anti-U.S. attitudes are worrisome at best, especially in the post-Cold War environment. His style is that of authoritarian populism (see later discussion) with a socialist theme.

²⁴The economic dependency relationship known as neocolonialism in Marxist rhetoric can also be seen as a sort of welfare relationship with the United States dispensing favors as it sees fit. This is the grist for Hugo Chávez' argument and other anti-U.S. elements in Latin America that Latin America should strike its own independent course. In the post-Cold War context, however, all of Latin America has and will be subjected to competing extra-hemispheric economic forces. This is manifested not only in Latin America as a consumer market but also as a source of lost-cost labor and manufacturing. Nicaragua's establishment of "free enterprise zones" that are exempt from taxation and import/export duties in order to stimulate its economy is seen as by anti-globalization proponents as little more than an officially approved *maquiladora* (sweat shop) system in the style of Mexican border towns.

With regard to the elusive national political psyche, the origins of Nicaragua as a state are relevant because it was during the pre-colonial and colonial period that dependency relationships developed. Dependency relationships began with the treatment of the indigenous peoples by the Spanish conquistadores and by the British of the Miskito population along the eastern Caribbean coast, and extend to today's more subtle relationship in the neoliberal world.

While the United States did not have ambitions as a colonial master having itself been a colony of the British, it did behave as one under President Monroe's early 19th Century notion that the all of the Western Hemisphere should be free of European colonial powers. The United States, with military teeth, either independently or in concert with Great Britain carried out its role as hegemon in the Western Hemisphere, and still today is seen in the same role but with more effective economic instruments of power.

The issue that most rankles Latin Americans is that the region has never been free of domination whether it be the Spanish, British or "los yánquis." Whether legitimate or not, such attitudes toward the United States foster resentment that leads to experimentation and revolution. In the case of Nicaragua, such resentment has a direct effect on how or whether it will adopt neoliberal economic solutions to find a path toward prosperity,²⁵ and find a path to alleviate the human suffering of its people. A corollary is whether the Nicaraguan electorate will have the patience to allow neoliberal polity to play out to full development.

²⁵This presumes that neoliberalism will produce positive outcomes; however, this author takes no position on the assertion.

Globalization (or economic neoliberal policy as its means) of the world's economies is a contentious issue, especially with regard to the human condition. Nicaragua presents an interesting case because within a period of fewer than thirty years it has evolved in stages from a dependency/import substitution, nominal democracy model under a despotic family dictatorship that can be described as a kleptocracy,²⁶ to a Marxist-inspired revolutionary junta mixed-model economy that sought to improve the plight of the common man, to a post-Cold War neoliberal oriented government that is focused on economic recovery and prosperity. Few states in history have experienced such changes over such a short period of time; those abrupt changes or the process of change can be seen as a cause in itself for the poor condition of Nicaragua today.²⁷ Nicaragua has had only brief experience with the neoliberal rubric, and has not reached any level of self-competence or confidence in formulating policy.

A term that has been applied to the behavior of the Somoza dynasty and to that of FSLN leadership that followed is "crony capitalism."²⁸ Outside of any altruistic motives, such practices assume absolute political control of a state by a closely connected group of

²⁶While this short-hand moniker may be accurate, in fact the Somoza dynasty may also be described as a nominal democratic system with underlying totalitarian, almost fascist, characteristics much like many other "caudillo" systems of the period. *Caudillismo* is characterized by totalitarian regimes with strong military either in office or immediately behind the heads of states. A modern-day moniker may be something like authoritarian populism along the lines first seen with Juan Perón in Argentina beginning in the late 1930s now seen repeated in style with Hugo Chavez of Venezuela.

²⁷Those changes are detailed in this work; however, the focus of this study is on the post-Sandinista period beginning in 1990 and the neoliberal adherence of the Chamorro, Alemán and Bolaños governments since that time. (Chapter IV.)

²⁸Stephen Haber, "Introduction: The Political Economy of Crony Capitalism," *Crony Capitalism and Economic Growth in Latin America - Theory and Evidence* (Stanford, California: Hoover Institutional Press, 2002), xii.

politicians who design policy for their own economic benefit operating in a system of pervasive corruption.²⁹ Such systems usually include passive acceptance by the general population of that model as normal.³⁰ This was the model during the entire Somoza dynasty. The same practices existed in the Marxist-inspired economic models such as seen during the FSLN period in Nicaragua from 1979 to 1990.³¹

In a 2001 study by Anne O. Krueger, Director of Stanford's Center for Research on Economic Development and Reform, and the first deputy managing director of the International Monetary Fund, she demonstrated that there is little difference in outcomes whether a state's economy is controlled by a state-owned enterprise system (such as the Marxist, mixed model of the FSLN) or the crony-operated establishments as with the Somozas.³² Hence, it could be argued that the FSLN and pre-FSLN systems meant few

²⁹Joseph T. Siegle, Michael M. Weinstein and Morton H. Halperin. "Why Democracies Excel." *Foreign Affairs*, Volume 83, Number 5 (New York: Council on Foreign Relations, September/October, 2004), 65.

³⁰*Transparency International Corruption Perceptions Index 2004*. (Berlin: Transparency International Secretariat, 20 October 2004). In its 2004 report, Transparency International reported Nicaragua in its corruption perceptions index in the 97th of 145 groupings of states along with Algeria, Macedonia, Lebanon, and Serbia and Montenegro. Costa Rica was in the 41st grouping and Honduras was in 114th.

³¹Crony capitalism while most obviously identified with systems such as existed under the Somoza dynasty, have other characteristics including manipulation of the state resources for personal gain, corruption and graft. On losing the 1990 election, many in the FSLN leadership were seen as providing themselves with "golden parachutes" in the form of ownership or absolute control of established businesses and light industry that had been nationalized during the FSLN period.

³²Anne O. Krueger, "Why Crony Capitalism is Bad for Economic Growth," *Crony Capitalism and Economic Growth in Latin America* (Stanford, California: Hoover Institutional Press, 2002), 1-23. A strong case can be made that Anastasio Somoza Debayle "broke the code" of crony capitalism in the last few years of his rule, and lost the support of the monied classes and professionals who had previously at least acquiesced to the system.

meaningful differences to the general population. Thus, the general electorate in Nicaragua has become cynical and enured to ever-new promises of salvation including neoliberalism.

The alternative adopted by the post-revolution governments in Nicaragua is that a transparent, neoliberal model will be more productive and, in the long run, reduce economic disparity. That argument assumes that a positive response is more driven by the internal, domestic independent variables than by the external independent variables of the G8 instruments of power.³³ It is also obvious, however, that Nicaraguan leaders themselves having been so conditioned to the power and influence of U.S.-dominated policy that they may have unconsciously bought into the promises of neoliberalism without consideration of the behavior of the critical internal variables.

In January 2004, the World Bank and the International Monetary Fund announced two very significant milestones to alleviate the Republic of Nicaragua's desperate economic situation and reduce poverty. The first of the two was a World Bank \$70 million zero-interest balance of payments credit (loan) designed to stabilize the economy and enable the implementation of Nicaragua's poverty reduction program, and institute fiscal reforms. The other milestone was the International Development Association's³⁴ and the IMF's \$4.5 billion support for foreign debt service relief designed to promote foreign direct investment, stimulate the economy and alleviate poverty.

³³See Chapter II of this work for expanded discussion.

³⁴A World Bank Group instrument/sub-organization. The Group consists of five entities the most important of which for this work is the International Bank for Reconstruction and Development (IBRD). Originally, the IBRD was designed to carry out the mandates of the 1944 Bretton Woods Agreement to facilitate the post-World War II reconstruction of Europe.

Recent assistance is also seen in bilateral agreements. In July 2004, Russia announced that it was forgiving the \$344 million balance of the \$3.4 billion, owed to the former Soviet Union by Nicaragua. As a member of the Paris Club,³⁵ Russia had previously agreed to a ninety percent reduction of the original \$3.4 billion, and a five-year postponement of the balance under the Paris Club's "wide initiative" to help Nicaragua. Later, the Paris Club members agreed to write off Nicaragua's entire debt, and Russia acted in accordance with the plan in forgiving the \$344 million balance. An official of the Russian Finance Ministry proudly announced, "Nicaragua's debt (to Russia) does not exist any more."³⁶ This foreign debt that accrued during the Cold War after the 1979 FSLN victory represented a potential impediment to Nicaragua's eventual recovery, but more important is that Russia's forgiveness of the debt signaled a determination by even the

³⁵The Paris Club, so-called because Paris was the site of the first unofficial meeting of creditor states with Argentine officials in 1956 to avert an economic crisis, consists today of nineteen permanent member states and thirteen *ad hoc* states. Membership consists of all G8 states (United States, Great Britain, France, Canada, Italy, Japan and Germany with the Federation Russia as the most recent but weakest addition.) The central purpose of the Paris Club is to restructure foreign debt and to settle any bi-lateral disputes that might arise among its member states. In effect, the Paris Club controls the primary tools of international economic power such as the World Bank, the International Monetary Fund, the World Trade Organization and the Inter-American Development Bank—the first three having evolved from the Bretton Woods Agreement. The WTO is new incarnation of the Bretton Woods Agreement's General Agreement on Trades and Tariffs (GATT); the updated role took place during the GATT conference known as the Uruguay Rounds held in Montevideo. The Paris Club states that took part in the 1999 meeting in Cologne, Germany when 90 percent of Nicaragua's foreign debt was eliminated were Australia, Austria, France, Germany, Italy, France, Japan, the Netherlands, the Russian Federation, Spain, the United Kingdom and the United States.

³⁶"Russia Writes off Nicaragua's Debt of \$344 Million (Россия списала Никарагуа долг в 344 миллиона долларов)" (Moscow: Russian News Agency, 26 July 2004) Available [Online]:><http://www.rosfin.ru/news6587.html>>, [17 January 2005]. No doubt, Russia sees such an action as a declaration as a fully capable G8 state willing to participate in G8 decisions.

least capable G8 state, Russia, to make economic concessions toward the greater goal of Nicaragua's recovery.³⁷

The Paris Club debt relief—the World Bank's \$70 million loan and the IDA/IMF's \$4.5 billion debt service relief were conditioned on demands that included fiscal austerity, transparency in government operations, the elimination of government corruption, poverty reduction and banking reform.³⁸ However, as previously noted, despite benchmarks and time lines, those structural reforms are difficult to define and more difficult to enforce.

The most recent debt service relief was awarded in recognition of Nicaragua's having satisfied the conditions of the "enhanced" Heavily Indebted Poor Countries (HIPC) initiative.³⁹ It was largely through the efforts of the Bolaños' administration that reforms were deemed to have met the minimum demands of the G8 instruments of economic power. Nevertheless, Nicaragua still remains one of four Latin American HIPC⁴⁰ states.

³⁷It should not be overlooked that Russia, along with the United States were the two states most responsible for Nicaragua's plight. The Soviet Union used Nicaragua as a surrogate state to provide strategic positioning, and the United States sought to counter that strategy under the general tenets of the Truman Doctrine. The Contra War in the period between 1979 and 1988, in a distilled sense was the manifestation of the Truman Doctrine's containment strategy.

³⁸Such conditions, while sometimes quantifiable in terms of goals, are really dependent on the ability and motivations of the internal dynamics that finally affect results. Likewise, as the UN and the G8 states' instruments of power either ignore or forgive failure to meet such goals, any commitment by well-intended internal forces is reduced, and neoliberal agenda calendar is stretched.

³⁹International Monetary Fund, *Nicaragua: Enhanced Initiative for Heavily Indebted Poor Countries: Completion Point Document IMF Country Report No. 04/72*,

April 2004. (Washington, D.C.: International Monetary Fund) 3-6. Available [Online]:<http://www.imf.org/external/pubs/ft/scr/2004/cr0472.pdf>. [30 November 2005]

⁴⁰Highly Indebted Poor Countries (HIPC) is a term of convenience used by the Paris Club, World Bank, IADB, IMF and others. Also, the term or its abbreviation appears in most pertinent documents, the formal HIPC list is maintained by the World

Today, Nicaragua shares the distinction with the other Latin American HIPC states:

Bolivia, Honduras and Guyana.

In 2001, according to the World Bank, more than fifteen percent of the population was living in extreme poverty defined as less than one United States dollar per day.

It should be noted that all HIPC states operate under the same framework of neoliberal policies of the G8.⁴¹

The hope of the international community was and is that Nicaragua would fully develop into a prosperous state, but there is ample reason for pessimism. Internal factors leave Nicaragua more a basket case than a promising political democracy.

Recovery since the FSLN was voted out of office in 1990 has been painfully slow despite the focused efforts of a wide variety of IGOs, NGOs and the potent combination of the major Paris Club economic instruments. Since the election of President Violeta Chamorro in February 1990, the Nicaraguan government has variously acquiesced or cheerfully embraced the neoliberal solution; however, it is evident not all of Nicaragua's electorate was on board.

In January 1997, her administration was followed by that of Arnoldo Lacayo Alemán, who had just previously served as Managua's mayor. During the election he both adopted Chamorro's Liberal Constitutional Party (PLC) and formed his own Liberal

Bank. Bolivia, Guyana, Honduras and Nicaragua plus 34 African states constitute the total HIPC number. (While Haiti is not on the list, it along with Honduras are often cited as the poorest state in the Western Hemisphere.)

⁴¹World Bank. "World Bank and IMF Support US\$4.5 Billion in Debt Service Relief for Nicaragua." Washington, D.C.: World Bank. Available [Online]:[http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:201553884>\[9 February 2004\]](http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:201553884>[9 February 2004]).

Alliance party to broaden his electoral base. More eagerly than Chamorro, he too followed the neoliberal rubric and adopted the Poverty Reduction and Growth Facility (PRGF - ESAF) dictated by the G8 instruments of economic power as a condition of the help of official development assistance (ODA).

While Chamorro can be seen as the perfect head of state for national reconciliation, her outreach to the former FSLN regime caused concern in Washington and slowed promised aid; likewise, she was reluctant to tow the line dictated by Washington. By the end of her term of office, Washington and its G8 partners had established solid relationships with the Chamorro government to further implementation of the inevitable turn toward a fully free-market economy.

Enrique José Bolaños Geyer took office in January 2002, but not before he was faced with the unlikely pact between Alemán's Liberal Alliance Party and the FSLN still led by Daniel Ortega. Bolaños had been a member of the PLC but because of Alemán's residual support of that party, Bolaños formed the Alliance for the Republic party with the remainder of his PLC support, Chamorro's supporters and other anti-Alemán, anti-FSLN entities.⁴²

Bolaños fits more into the mold of Chamorro as an older and respected gentleman of anti-Somoza bent but not pro-FSLN. As a member of an old business family with a German background, Bolaños was seen as a technocrat who could manage Nicaragua's recovery and answer the demands of the G8 conditions for assistance. He had been previously been implicated in corruption because he was Alemán's vice president, but

⁴²This seeming unlikely alliance can be explained by the failure of Ortega to retain a clear majority of the electorate, and because Alemán's Liberal Alliance party likewise could not retain a majority in the face of the 2001 presidential elections.

quickly distanced himself from that camp. To date, Bolaños' long-term impact is unknown. He had been severely hampered by the alliance (pacto) between Alemán and his supporters, and Ortega and his FSLN supporters which in combination hold the majority of seats in the National Assembly.

True to his word to clean up corruption and despite his keen knowledge of the likely consequences, Bolaños successfully prosecuted Alemán for corruption.⁴³ Since Alemán's conviction, Bolaños has been plagued by political opposition, and the National Assembly has severely hampered his efforts to simultaneously clean up government corruption, make structural reforms and align Nicaragua's priorities with the conditions of the G8 programs. Even considering the ravages of civil war in the 1980s and a series of natural disasters,⁴⁴ its slow recovery is a paradox. Nicaragua has immense natural resources that include the most abundant fresh water supply in Central America, a willing and relatively well educated people, infrastructure under restoration, and a long-term history of economic well being.

Until the early 1970s, Nicaragua was often referred to as the breadbasket of Central America with its abundant agricultural production, and a generally diverse agro-industry that included the beef, coffee, dairy and fishing industries. In spite of the vicissitudes of world markets in that period, Nicaragua was prosperous and had a flexible economy with few problems. This does not speak to the political side of the equation nor

⁴³Alemán was sentenced to twenty years in prison but that was later changed to twenty years in "home" confinement at his luxurious country estate outside of Managua.

⁴⁴Hurricane Joan in 1997 (Caribbean coast), Hurricane Mitch in 1998 (central and northwestern heartland) and Hurricane Hugo in 1999 (heartland).

does it altogether relate to Nicaragua's very slow economic recovery since 1990 except in the historical memory of the Republic.

President Bolaños ran for the presidency, in part, on his commitment to carry out the neoliberal agenda, and his election reflected the hopes of the Nicaraguan electorate. However, it also clear that very few understood the reforms and sacrifices that the neoliberal rubric would necessitate. Bolaños success in instituting reforms are both to his credit for having brought in additional ODA, but it also represents the bane of his political viability.

The theoretical foundation for economic neoliberalism lies in the model of the so-called Washington Consensus (See Chapter II for a complete definition.) which provides the framework for those reforms demanded by the G8 and its instruments. That group has made substantial concessions to Nicaragua the early and generous resulting from the June 1999 G8 meeting in Cologne, Germany that forgave ninety percent of all of Nicaragua's foreign debt incurred before 31 October 1988. The debt after that point was recast under extremely concessionary terms of a forty-year repayment schedule, a five to ten year grace period and a zero to two percent interest rate known as the "extended HIPC initiative."⁴⁵

The initiative tied the package to strict reforms that have been only partially fulfilled. At the time, the demands that addressed extreme poverty in Nicaragua were seen complex but within reach. In any case, the initiative provided incentive for Nicaragua to move in a positive direction.

⁴⁵Nestor Avendaño, "Where is the State's Role in the National Development Plan?" *Envío*, Volume 22, Number 268 (Managua: Universidad Centroamericana, November 2003), 22-23.

When in December 2003 the World Bank and IMF announced that Nicaragua had satisfied the conditions (reached the HIPC initiative “decision point”), Nicaragua still remained one of the world’s poorest states. Nicaragua’s failure to progress more steadily cannot be easily explained in terms of external support and the neoliberal requirements of the G8. Rather, Nicaragua’s lack of progress can be seen as a function of the domestic independent variables that impede or facilitate neoliberal reforms.

Fiscal constraints (largely in the area of government operation costs) and transparency demanded by HIPC have been slowly implemented; these, along with privatization and elimination of corruption are only a few of the many domestic issues that accompany its moribund recovery prospects.

A central question is: Why is the Bolaños government unable to fully realign the direction of the internal economy and civil society? This work elaborates the factors, and demonstrates that internal domestic independent variables are the key to recovery.

Perhaps the most compelling fact about Nicaragua is its tumultuous history of the past thirty. The abrupt social, political and economic policy changes brought on by the Sandinista Revolution are but part of the calculus. The sudden about-face in the 1990 election of Violeta Chamorro and the failure of the FSLN to regain the presidency has affected the result as well. From the longer-term view, as the Somoza dynasty failed to overcome the demands of the FSLN and provide for recovery after the great earthquake of 1972 that destroyed most of Managua, the relative prosperity that Nicaragua enjoyed in the forty plus years before the 1979 revolution served in part to frustrate Nicaraguans. Hence, Nicaraguans favored the promises of the FSLN; that support strengthened as the

last Somoza dynasty dictator, Anastasio Somoza Debayle imposed despotic measures to retain control in the face of an economic crisis.

The 1979 revolution has its roots in the early 1930s; the fundamental issue in the early 1930s as in the late 1970s was a demand for political reform and reduced economic disparity. While the early 1930s' revolution led by populist Liberal General Augustino C. Sandino ultimately failed, the Somoza dynasty began with promises to carry out that agenda, but the promises were really part of a larger scheme to dominate the economy through a system of what developed into crony capitalism.

The 1979 revolution sought to redress those complaints through determined Marxist-inspired measures that converted the political system to a socialist model, and installed an economic system of a mixed command and state-ownership model that was heavy on appropriations of privately owned industry and confiscation of privately owned basic infrastructure. At the point of the Sandinista victory, much of the most valuable light industry, communications business and agro-industry was owned by the Somozas and their cronies. Although estimates vary widely, the general consensus is that the Somozas owned about sixty percent of all revenue producing business in Nicaragua at the time of the FSLN victory.

The Sandinista government committed to delivering a model of government that would redress the disparity of the past, and meet the economic and social demands of the people. The CIA-backed Contra (civil) war plus the collapse of the Soviet Union contributed to the weakness of the Sandinista program which, in most areas, failed miserably. However, it left the people with a sense of empowerment and entitlement extant today.

International interests in the post-Cold War climate were focused on the recovery of Nicaragua as a political democracy model whose economy could sustain the recovery. The goal was and is that this will eventually lead to the addition of a vigorous participant in the new world order of globalization, a system that would measure success in terms of economic health and social justice. This is not to say that all of those international interests have been in absolute agreement, but only to observe that there are many NGOs, IGOs and other international institutions and states that have been extraordinarily generous and supportive in the face of slow progress.

The World Bank's self-defined brief for its program in Nicaragua that is pursued with other major financial institutions covers four areas that condition the international community's willingness to provide short and long-term assistance. They include poverty alleviation, public sector modernization and strengthening of institutional capacity, creating a framework for private sector investment and environmental protection.⁴⁶ As detailed at the outset in this introduction, Nicaragua has largely met the requirements of World Bank, IMF and the IADB, but there is little optimism.

The external pressures that affect the Nicaraguan recovery are largely determined by world markets, attention from NGOs and IGOs, foreign direct investment, relationships with neighboring states and the general intent of international political powers. The ultimate success or failure, however, will be determined by the internal factors at play. Nicaragua's past prosperity was due in large part to its geographic position, natural

⁴⁶World Bank. *Nicaragua Country Brief-May 1999*, World Bank, Available [Online]: <<http://wbln0018.worldbank.org/External/lac/lac.nsf/54a7bf01c0a0900a85257d600b59b4/>>[8 February 2004].

resources, plentiful fresh water supply,⁴⁷ relatively inexpensive however limited transportation avenues and industrious people along with its strong business orientation and focus on international trade. While vulnerable to natural disasters such as earthquakes and tropical storm, Nicaragua's economy has been productive. As the historic breadbasket of Central America with its surplus agriculture production, it should be able to regain that status. Surplus production has included a variety of agricultural products including those for which is it well known such as rice, beans, cotton, coffee and tobacco. Further, it experimented with cotton production for export, but ultimately could not compete with other world producers.

There is little argument against the logic that Nicaragua has the resources and capacity to compete in the agricultural arena. Likewise, it has the capacity in light industry to provide a wide variety of manufactured products.

Until the forceful removal of the last of the Somoza dynasty in July 1979, Nicaragua's economy was operated as a family resource competing in the world economy as a basic commodities producer while developing some light industry. During the period from the mid-1930s until the mid-1970s,⁴⁸ Nicaragua's basic mode of operation was a

⁴⁷Unlike its neighbors, Nicaragua has an abundance of fresh water with its two very large lakes. Many south states suffer from a lack of quality water resources, and that factor alone affects economic and social well being. However, Nicaragua has not been a good steward of its water resources and is now faced with serious pollution issues. See Map Plate I.

⁴⁸T. L. Merrill, ed., *Nicaragua - A Country Study*. (Washington, D.C.: Federal Research Division, Library of Congress, 1994), 17-18. In the period leading up to World War One, free-market capitalism existed in its purest form. The exigencies of the post-World War One economic disruptions and inequities brought about a slow change toward "managed" free-market capitalism that culminated in the Bretton Woods agreements just at the close of World War Two. While Nicaragua did not participate in the policy formulation exercised by the allied forces after World War Two, its own economy was

market-driven capitalistic approach. Nicaragua was a commodities producer in the model of many other Latin American states that fits neatly with the theories of David Ricardo and other classic economists who posited that markets, if left to their own devices, will settle to highest efficiencies in each entity. This presumes that there are no artificial forces in the mix such as tariffs, duties and the like. This, of course, was not the case.

The Somoza dynasty carefully managed the labor force and its unions with very few major problems. In fact, the dynasty could be seen as encouraging unionization.

Modern economists such as Raúl Prebisch theorized that Latin America could not survive economically without state intervention because the domestic industry necessary to support an economy could not develop so long as unimpeded importation of manufactured goods continued. Until the mid-1960s, the free-market model in Latin America, according to Prebisch, could be modified such that those Latin American states could both profit from commodities exports and simultaneously develop domestic industry for internal consumption. Prebisch introduced the theory, known as import substitution, that held that high tariffs on imported manufactured goods would, with some state intervention, spontaneously generate domestic industrial development thus growing the economy and giving it sufficient strength to break the neocolonial model.

closely tied to those changes. This is especially true because the United States had been and was foreseen to be the major consumer of Nicaragua's basic commodities production. This relationship was a political instrument of Nicaragua President José Santos Zelaya during his term from 1898 to 1909 who regularly criticized United States' economic influence, and flirted with substituting German and Japanese investment for United States investment. In any case, it was Zelaya who was largely responsible for opening up Nicaragua for foreign investment and building a suitable transportation infrastructure. At the turn of the century, United States companies owned most of the exporting commodities (bananas, coffee, gold and lumber) business.

The import substitution model was wholeheartedly adopted by Latin American states.⁴⁹ While import substitution, in the abstract, should have generated increased domestic industrial capacity, it failed over the long term. Various conclusions can be drawn to explain the failure, but there was no doubt by the mid-1970s that another strategy was in order. Nicaragua, as with other Latin American states, experienced a downward trend, and domestic unrest became a major part of the Sandinista revolution and ensuing civil war that took place.

In the post-Cold War model where power of states is measured more on economic capacity and performance rather than military capability, a new model has emerged. The theoretical model, the Washington Consensus, was based on unimpeded free-market economies. Its implementation was conditioned on fundamental changes in economic policy of Latin American states, and was adopted by the major IGOs such as the World Bank, the IMF and the IADB, among others.

John Williamson, the Washington, D.C. economist, who first articulated the theory in its early form, believed that such a “neoliberal” approach would remedy the extreme poverty and poor social condition of states such as Nicaragua.⁵⁰ He and others later refined the first version but its basis remained, i.e., free-market systems with unimpeded trade and a minimum of regulation will benefit all states and their people.

Major players represented by the Paris Club conditioned programs such as the enhanced HIPC on domestic reforms that included transparent budget processes, reformed

⁴⁹The largest state, Brazil, elected one of the faithful import substitution proponents, economist and professor Henrique Cardoso, as head of state.

⁵⁰Neoliberalism, in the international economy context, imply a near total hands-off approach to markets with near-complete transparency of governments’ operations.

banking practices, focused poverty reduction and improved access to health and education, and other internal changes that could only be made by domestic policy and practice. While Nicaragua met those conditions, at least minimally, the central question remains: Will Nicaragua's domestic independent variables—the internal factors—serve to support a recovery or impede it?

Theoreticians such as John Williamson have recognized the need to fine tune the original model of neoliberalism and have been candid about the over-simplistic original approach's failure, but they retain the central piece of the theory: pure-form, free-market capitalism.

On the presumption that such reformulated theory provides the solution for Nicaragua and given the wholesale acquiescence of the Bolaños administration to the demands of the Paris Club, its success or failure lies with the internal factors that influence the implementation. Since his inauguration, President Bolaños has under fire from prominent domestic economists on all sides of the political spectrum and the domestic media for his strict adherence to the recommendations of the international community.

Nicaragua's domestic critics are influenced by healthy skepticism that results from the failures or poor performance of the past administrations (the Ortega, Chamorro and Alemán governments). They understandably hold the question as to whether the mixed-model economy championed by the FSLN could have succeeded had it not had to deal with the United States' efforts, overt and covert, to undermine that government. This lingering doubt contributes to the uncertainty or at least unwillingness to fully buy into the neoliberal solution.

It cannot be overlooked that from the 1990 election through the 2001 election, the FSLN retained a substantial amount of political support in Nicaragua. Its head, Daniel Ortega Saavedra, has run for president in each election and still indicates that he will continue to run. The relevancy of his candidacy is that it validates the argument that about forty percent of the population still would support a return to a mixed model economy under a socialist rubric. Further, Ortega, despite personal scandal that includes an accusation from his now-adult daughter, Zoilamérica Narváez, of child molestation and questionable business transactions, somehow comes off as the most honest of national candidates today.

The reality is that Daniel Ortega remains a political force that transcends the memory of the FSLN, and his social and economic programs still hold promise for many Nicaraguans. Some see his persistent influence as impeding progress that is demanded by the Paris Club, and further it explains the frustration of the current government's efforts to carry out reforms.

Much of Ortega's support comes from his former role in the FSLN and the FSLN legacy. Aside from permanently providing a sense of hope and empowerment to labor, women and other oppressed groups including the indigenous peoples, the most lasting legacy can be found in the Nicaraguan constitution. The preamble to the Nicaraguan Constitution contains language that, while appropriate for the time, does little more than polarize the population (especially labor versus employers), not to mention would-be external benefactors, and pay homage to the Sandinista Front during a period of transition to a market-economy system: "[Dedicated to] the General of the free men, AUGUSTINO C. SANDINO, father of the Popular, Anti-imperialist Revolution . . . [the Christians] who

inserted themselves into the fight for liberation . . . [and those] who fought and offered their lives in the face of imperialist aggression to guarantee happiness for future generations.”

The polarization serves to remind previously oppressed groups of their potential, but also serves to provide a sense of independence from the United States and its allies. Thus, its wording can be seen in the context as a positive, pro-nationalism statement and a commitment to self governance and self sufficiency. The “imperialist aggression” is Marxist rhetoric, but in today’s context serves to remind Nicaraguan’s of their own colonial and neocolonial relationships.

The popular press in Nicaragua that is remarkably fearless, and does not suffer the aftereffects of the Anastasio Somoza Debayle period censorship, sometimes refers to Ortega, Alemán and Bolaños as the “three monkeys”⁵¹ who are seen as co-conspirators. Bolaños, however, may be escaping this popular moniker because it has been under his administration that Alemán was convicted of embezzlement and various other crimes. Bolaños’ legitimacy was helped with the indictment and conviction of former president Alemán for corruption and excesses of cronyism in the old model of Nicaraguan politics.

Alemán supporters, largely led by his wife and daughters, remain a force in the liberal party, and Daniel Ortega continues to influence events in Nicaragua that are more focused on self-serving political aims than overall economic and social recovery. This is a major factor that will influence the direction and speed of recovery if only by impeding reforms, reducing foreign direct investment and discouraging the international community.

⁵¹Such is the cynicism of the Nicaraguan electorate—the long history corrupt politicians in Nicaragua being the source.

The Catholic Church in Nicaragua plays a major role in the private and public lives of Nicaragua including direct influence in the formulation and implementation of domestic public policy. This is both historical and somewhat unique to current-day Nicaragua. Two of the original FSLN junta members were priests, and Cardinal Obando y Bravo has always maintained a political voice in the domestic affairs of Nicaragua either through activism under the guise of Liberation Theology or tacit disengagement when he wished to de-legitimize certain government actions. Such strategy can be seen today in his sending Church officials to rallies of the pacto or its separate entities. In a sense it could be seen as payback to former President Alemán.

The position taken by the Church on any given issue in Nicaragua has a direct influence on policy outcomes. An example of its influence and strength is the fact that in the aftermath of Hurricane Mitch in 1998, much of the considerable monetary aid provided by the international community was given over to Catholic relief in Nicaragua for administration and distribution. This reflected the alliance between the Alemán administration and the Church,⁵² and simultaneously but on a much more subtle basis satisfied the U.S. Government that the aid would not be diluted by inefficient and corrupt government bureaucracy.

During the run-up to Chamorro's election in 1990, "[T]he task of projecting an anti-Sandinista message was more effectively carried out by the right-wing forces of the national newspaper, *La Prensa*, COSEP and Cardinal Obando y Bravo, the head of the

⁵²Alemán's *quid pro quo*, among other acts, was the granting of a radio broadcast license to the Church that was later rescinded by the Bolaños government with the claim that it was illegally granted. In fact, the rescission was more a reflection of Bolaños administration's efforts to reform such practices. However, in doing so, it no doubt must have produced some consternation on the part of then Archbishop Obando y Bravo.

Roman Catholic Church.”⁵³ No doubt, those forces influenced the FSLN to adopt the “third way” strategy that previously had been successful; however, by 1989 the pressures of unkept promises and the failing economy were too much to overcome.

Under the general principles of “Liberation Theology” first elaborated at the Catholic Bishops meeting in Medellín, Colombia in 1968 the Church took on a more secular role. That guidance from the Vatican mandated a hands-on, proactive role for the Church in Latin America that included a political component that can be seen today. Often, the popular press in Nicaragua quotes Cardinal Obando y Bravo regarding domestic policy implementation. Further, the national governments find themselves in a position to facilitate programs through the Church. A negative converse result could easily spell disaster for any public disagreement between the Church and the government.

The Roman Catholic Church has played and does play a critical role in influencing domestic policy decisions over a broad spectrum,⁵⁴ and today is courted by politicians of all stripes in Nicaragua including former President Alemán’s wife and daughters who in 2003 and 2004 enlisted the aid of the Church to have his corruption conviction overturned. The wife and two daughters are becoming political forces in their own right, and represent the father when necessary or desirable.

⁵³Hazel Plunkett, *In Focus Nicaragua* (New York: Interlink Books, 2002), 31.

⁵⁴Lino Gutierréz (U.S. Ambassador to Nicaragua), in discussion with author and others in Hays-Fulbright Group in July 1998 in Managua. The United States government acknowledged the power and influence of the Church in Nicaragua in the aftermath of Hurricane Mitch when it took the decision to flow aid through the Church (Catholic Relief) rather than directly through Alemán’s government. While it was a tacit acknowledgment of the rampant corruption of the Alemán regime on the part of the U.S. Government, it can also be seen as recognition of the Church in the Nicaraguan political arena.

With the implementation of the Liberation Theology agenda, Cardinal Obando y Bravo saw the participation of his priests in the government as a threat and, in a larger sense, felt that Liberation Theology followed the wrong track in Nicaragua. Further, some believe that he saw Liberation Theology as a threat to his authority.⁵⁵ During the early period of the FSLN government, Cardinal Obando y Bravo sought to have transferred out of Nicaragua a number of foreign priests who he saw as too obedient to the FSLN junta's agenda and/or too activist in the Liberation Theology arena.

Obando y Bravo and his leadership of the Nicaragua Roman Catholic Church can be seen as an impediment and detriment to the FSLN's agenda; two of the original Sandinista Directorate (DN)⁵⁶ were Catholic priests, but, on the other hand, they represented the most progressive of the Church in Nicaragua. "By 1978, the progressive Catholics and the FSLN were essentially working in tandem . . . The Triumph⁵⁷ of July 1979, then, was a product of a joint effort. . . . and would be influenced as much by Catholic humanist roots as by the peculiarly nationalistic brand of Marxism of the original founder of the FSLN."⁵⁸

The importance of underlying support of priests and Church members following the Liberation Theology path for FSLN cannot be overemphasized because its role in raising social awareness and bringing relief to the human condition of the Nicaraguan

⁵⁵Ibid., Plunkett.

⁵⁶The Sandinista Directorate was the formal title of the FSLN junta's executive body.

⁵⁷The Triumph (*El Triunfo*) is both the official Sandinista term for the July 1979 expulsion of Somoza, and commonly heard today as both a term of political and melancholy by FSLN members and supporters.

⁵⁸Ibid., 42.

poor. This legacy remains today and interestingly is the cornerstone of nearly all international aid and Bolaños' government's poverty reduction plan.

After the January 1990 national election in which Violeta Chamorro won the presidency with a coalition of many minor political parties, the more conservative and traditional influence of the Church returned. This has since included some minor scandals during the subsequent Alemán administration, and role of the Church as an NGO to deliver U.S. economic and reconstruction aid following the devastation of Hurricane Mitch in 1998.

The Roman Catholic Church in Nicaragua today, as always, is often called upon by politicians to either endorse candidates or simply be present during key events. The Church continues to play a key role in the everyday social and political lives of Nicaraguans.

Another characteristic of Nicaragua that helps explain the political psyche of the people is monism, or the belief that only one superior exists whether it be God or, in secular terms, the dictator who happens to be in place at the moment. While such discussion is better left to sociologists or theologians, it is included here because to help explain why Nicaragua has been so slow to adopt liberal democracy, something that Nicaragua has never experienced.

Nicaraguans are far more used to vertical relationships that foster abuses and tolerance for abuse, and disparity. Thus, there is a serious question as to whether the tenets of neoliberalism even apply to Nicaragua and Nicaraguans, or whether neoliberalism demands will result in some unintended perverse form. For example, if corruption is a way of life and only extreme corruption is noticed, how might Nicaragua adjust to a system

that demands integrity in politics and the market system? Will only the oligarchy educated in the United States recognize the difference, and will it take advantage of those who have no exposure to another system? With reference to the demands of neoliberalism, the questions regarding political systems and habits are endless.

Until the 1979 FSLN Triumph, Nicaragua was operated as a business for the benefit of the Somozas and their cronies. As such, the Somozas selectively adopted the latest management practices, and encouraged the business community at large to do the same. Thus, Anastasio Somoza Debayle was quick to jump at the opportunity to co-sponsor and support the Harvard Business School in establishing a prestigious MBA producing school in Managua with the help of Nicaragua's most influential businessmen. Somoza had a strong alliance with the Confederación Superior de Empresas Privadas (COSEP - National Chamber of Commerce) which was a powerful political instrument until many of its members turned away from that affiliation in the mid to late 1970s due to the excesses of his failing regime.⁵⁹ Despite the turn in allegiance, the COSEP was no friend of the Sandinista regime either as the FSLN government sought to turn to a mixed economic model as it nationalized many industries and confiscated property in the name of the revolution.

⁵⁹The seminal event that turned the business community from supporting the Somoza regime was the 1978 murder of Pedro Joaquin Chamorro who was the owner and editor of La Prensa newspaper. Chamorro was killed in downtown Managua on his way to work, and his murder was immediately attributed to Somoza's henchmen led by his West Point-trained son. By that point in time, the Somoza government's censorship of La Prensa had reached such a stage that Chamorro had to submit all copy to the government before publication. For the deleted material, Chamorro would often leave blank spaces or substitute ridiculous Hollywood star photographs to make the point about the lack of freedom of the press in Nicaragua. Likewise, the murder of the vice-president of the COSEP during this same era was attributed to Somoza. Those events in combination, guaranteed that the conservative COSEP faced hard choices with the rise of the FSLN.

COSEP survived as an organization of the most powerful business and industry leaders in Nicaragua, but it was tainted by frequent accusations that it was funded by and acted as an agent for the Central Intelligence Agency during the Sandinista period from 1979 to 1990.

Today, the COSEP's closest ally is President Bolaños who, even as Alemán's vice president and president of the National Assembly before his election as president, served as a vehicle to further dismantle the vestiges of the Sandinista economic model and restore a full-market economy.⁶⁰ Bolaños' close association with the COSEP presents a political liability, especially rankling the FSLN membership.⁶¹ This was recognized well before Bolaños' run for the presidency; a likely connection between his efforts and the support of the Central Intelligence agency was revealed in a *New York Times* article in 1984.⁶²

⁶⁰As of early 2004, some major utilities and industries remained in the hands of the government and, and as some allege, in the illegal ownership of former Sandinista junta members. This is a source of significant political controversy as the Bolaños' government struggles to meet the demands of the external neoliberal forces and privatize those utilities and industries while trying to address the alleged illegal confiscation of some part of that by the Sandinistas and by Alemán and his cronies. Alemán' conviction on bribery and corruption charges are a result of that effort. President Bolaños' success in prosecution has cost him political power due to this housecleaning agenda item.

⁶¹Holly Sklar, *Washington's War on Nicaragua* (Cambridge, Massachusetts: South End Press, 1988), 193. Bolaños was the president of COSEP in 1984 when it was actively supporting Arturo Cruz to run against the FSLN candidate Daniel Ortega in the presidential election under the Coordinadora (Democratic Coordinating Committee) in a ruse to spoil the election.

⁶²Philip Taubman, "Nicaragua Rebels Reported to Raise Millions in Gifts," *New York Times*, section 1, page 1 (New York: New York Times, 9 September 1984). Taubman reported that the CIA and other donors were supporting the "rebels," and that Bolaños and his confidants had been in "close association" with the CIA since the early 1980s

The sense of entitlement of the labor class in Nicaragua is one of the most enduring legacies of the FSLN period. The nearly thirteen-year period of reform conditioned the labor class in such a way that it has become a force in domestic politics as never before.

The sense of entitlement is well reasoned and justified, especially considering the exploitation that took place in previous times. Most particularly the labor sector sees the Somoza era as exploitative; however, economic indicators from most of the Somoza period reveal relative prosperity as compared to neighboring states, especially when compared to Honduras and El Salvador to the north.

Features of the current neoliberal model in Nicaragua are recognized by some labor sectors as exploitative. Most particularly, the device designed to attract foreign investment in light industry—economic “free” zones—are really are little more than a legalized maquilas.⁶³ Nicaraguan labor, whether organized or represented by various domestic NGOs, finds itself with a greater sense of empowerment but with growing cynicism that their continued sacrifices in the name of long-term recover under the neoliberal rubric is no more than another exploitative tool.

The untenable situation that Nicaragua is in means that it simply must dance to the tune of the piper—the external forces at play; however, how it dances to the tune is the

⁶³Maquilas is the name given to the sweat shops that first appeared in northern Mexico to provide low-wage, low-cost goods for the North American market. While this result can be seen as a natural result of the disparity in wages between Mexico, and the United States and Canada, it can also be seen as an extension of the brazero program that exploits Mexican seasonal farm workers. The system of maquilas has risen to a high art form in Nicaragua where high fences guard the exploitation of labor. The largest “free” zone in Nicaragua is just adjacent to the Sandino (continued) International Airport in Managua; most of the businesses are owned by Taiwan businessmen. It is this exploitation that is the subject of anti-globalization opponents. See later discussion.

question that will determine the result. That obvious result is too little real progress in the past fifteen years: membership in the “exclusive” HIPC club, a lack of meaningful foreign direct investment, a general failure to mobilize its domestic internal components to focus on direction and progress, and failure to embark on a determined proactive, long-term policy to fully recover. The domestic independent variables, are those which will most influence the ultimate result, and it those variables that must align for a favorable result. Business as usual is the pattern that must be broken; the comfort zone of that pattern is that most deeply entrenched.

It is no stretch to compare Nicaragua to a long-term welfare client, not in the sense of an unable client, but in the sense of an unwilling client. The generosity of the international community, at least in part, can be seen as a return for the abuse it dealt out to Nicaragua during the last days of the Cold War. Likewise, some see excessive generosity as part of the problem.

The generosity, with the system of government under the FSLN, may have caused a sort of civil society malaise in Nicaragua that will be difficult to overcome in the short term. That is not to say that the FSLN victory was unjust; rather, it is clear that all in Nicaragua, even the growing middle class, very much favored a change from the Somoza dynasty and its abuses.

While the reasons for the failure of the FSLN government are not addressed here; it is clear that in 1990 the Nicaraguan people wanted change for change’s sake, not a vote against the central tenets of the FSLN agenda.

What Nicaragua is left with today is a shaky economy that, while propped up by the international community, may not be able to find its way. Notwithstanding the residual

forty percent support for the FSLN, what it did to expel Anastasio Somoza Debayle and the hope it brought, what remains is the reality for which a means to success must be found.

Given the recent history of Nicaragua, it is remarkable that its people have not risen up against the failure of the current neoliberal model. Certainly, there is abundant criticism in the Nicaragua media about Nicaragua's plight and it choosing the neoliberal path; however, the fatigue of warfare and suffering—no matter the source—seems to discourage any real movement toward another political and economic change. That lack of impulse may be the first signs of a determination to make a go of it.

The internal domestic forces at can be seen as moribund. That is to say that so much has happened and so little progress has been made that those forces are more cautious observers and bystanders than participants. The most important actors on the domestic scene remain the same as before: (1) the Roman Catholic Church, (2) labor and labor unions, (3) the business community and its instruments, and (4) civil society as whole influenced by the FSLN residual.

The Roman Catholic Church, Nicaragua's most revered institution, was implicated with Alemán's corruption as well, at least to the extent that it gave tacit approval to a corrupt administration for favors. While not unique to Nicaragua,⁶⁴ graft and corruption

⁶⁴During field research in Nicaragua in 1998, 2002 and 2003, this author questioned a number of businessmen about the price (corruption and payoffs) of doing business in Nicaragua. Usually, my basic question was met with silence and a shrug; however, one businessman who asked for anonymity complained that business as usual means that each nearly all officials look for some payoff (*mordida*—bite). This includes the local mayor, Ministry of Labor official and others. Playing by the rules, most of which were put in place by the FSLN, counts for very little without the necessary lubrication. The anonymous successful businessman has a multi-million dollar export business that is contained within a "free" zone provided by Nicaragua's law to encourage investment.

are a part of the system even today, and viewed without surprise. This is a reality that is not easily measure but is readily apparent. Alemán was also implicated in other scandals with Central American businessmen that included taking big payoffs during the continuing privatization of government-owned infrastructure including the national telephone system.

This work is organized to focus on the post 1990 period in Nicaragua to reveal those domestic factors that affect the progress of Nicaragua in its recovery measured in critical indicators (dependent variables) such as education, health, per capita income, demographics and others. The focus of this study is on neoliberal policy, and the domestic independent variables that affect implementation and outcome.

Included are some of the counter-globalization and counter-neoliberal theories that, while not well developed, are the basis for very active demonstrations against the World Bank, the IABD and IMF. To date, although all Central American states have joined the CAFTA regime which was ratified as a treaty by the U.S. Senate in June 2005 and approved by the U.S. House of Representatives in July 2005. Even with ratification, the road to a positive outcome seems slim unless its proponents can demonstrate that NAFTA has provided positive benefits to the United States economy.

The Republic is in a state of turmoil; the purpose and effect of the Sandinista Revolution is still fresh in the minds of Nicaraguans who question whether a return to some form of the Sandinista model of a mixed economy and egalitarian democracy might still be the long-term solution to solve its problems. This is clearly evinced in the consistent support that Daniel Ortega, the perennial presidential candidate since 1990 has maintained. The popular vote for Ortega has been steady at about forty percent. Further,

his force of personality, even when separated from the Sandinista Front itself, is such that he commands attention and loyalty.

The 1998 pact fashioned by Daniel Ortega for the Sandinista Front and Arnoldo Alemán for the Constitutional Liberal Party gives further evidence that the FSLN platform is still an attractive option. Added to this is the overwhelming win of the Sandinistas in the provincial governors' election that took place in November 2004.

In the long view, the revolution is still underway. The political unrest and failure to find effective solutions in the neoliberal model further fuels the ongoing revolution. Hence, this work's general outline has a sub-theme taken from Crane Brinton's 1949 *Anatomy of a Revolution* that fits well with the Nicaraguan case in conditions as well as timing of events. The phase in which the Republic now finds itself, in Brinton's formulation, is the *thermidor* or the breaking of the fever and return to normalcy.

As the rest of the world adopts neoliberalism in the post Cold War environment, Nicaragua is faced with difficult choices. The Nicaraguan revolution that began in earnest in the mid 1970s and civil war that followed were, in part, reactions to the despotic nature of the Somoza dynasty that operated in concert with the United States. Just as the Sandinistas took power in 1979, neoliberalism shifted the playing field toward neoliberalism as the Cold War was coming to an end. In effect, the people of Nicaragua were faced with an entirely new set of game rules that were finally inevitable when the demise of the Soviet Union, its Cold War sponsor.

Neoliberalism and Nicaragua's choices are the primary conduits for change; however, the ultimate result of neoliberalism policy implementation has a greater implication in the context of the neoliberal model assumed by north states as the long-term

solution for all faltering HIPC states. Nicaragua's success or failure, then, will provide some indication and forecast for the long term.

Chapter II provides a brief summary of the relevant historical and economic literature plus integrative literature that helps in the understanding as to how Nicaragua has developed over time, how its internal dynamics interact and how Nicaragua treats external independent variables that affect its well-being.

Included in Chapter III is a detailed pre-revolutionary historic and economic review of Nicaragua's past. The review provides some understanding of the behavior of domestic independent variables that affect the current dilemma. It should be obvious to the reader that Nicaragua's future success or failure is entirely dependent on its own motives and national psyche, and how those elements affect the internal dynamics in recovery.

Chapter IV treats Nicaragua and neoliberalism from 1990 to 2004. Since the 1990, Nicaraguans have elected three presidents: Chamorro, Alemán and Bolaños. In each election those winning candidates were opposed by the FSLN candidate and former Nicaraguan President (1985-1990), Daniel Ortega. Ortega failed in each national election despite his 1998 maneuvering to establish a pact with the winning PLC. Put in other terms, the electorate continued to reject the FSLN model in favor of an unknown alternative seen as more promising than that delivered by the FSLN mixed-model economy, socialist model. Each of the presidents since 1990 faced (face) different obstacles, and each implemented the neoliberal model as they were able given that it was their mandate from the voters and there were and are no other alternatives.

Chapter V is a discussion of the central domestic independent variables that most affect the acceptance and implementation the neoliberal model. Ignoring the issues of

morality and sense of obligation that may motivate the north states in their generosity with regard to the Contra war and the economics pressures imposed on the FSLN from 1979 to 1990, Nicaragua has been the recipient of a mix of generous loans, grants and other help. The constancy of the north states' commitment to the neoliberal solution juxtaposed with the failure in application points toward the domestic independent variables as the most relevant in explaining the failure and predicting how the external aid might be more effectively applied toward a full recovery.

Chapter VI, the concluding chapter, reviews the development of Nicaragua over its short history, provides some insights into how or why Nicaraguan internal dynamics treat outside intervention, reviews the present state and behavior of the most relevant internal domestic independent variables. It provides observations as to how or if Nicaragua might find a path toward recovery that will return its overall condition to a true political democracy with equitable and effective economic distribution.

Finally, it is hope of this author that this work provides a view of the situation that helps explain in historical and political terms where the problems lay and how the internal dynamics might be redirected toward a positive result. Hopefully, the reader will have a clearer understanding of the slowness of the recovery from the Nicaraguan optic, not from the optic of an international donor whether it be the G8, one of its economic instruments of power, a bilateral aid program or even from one of the many foreign NGOs that operate in Nicaragua today. This is not to impugn the motives or integrity of any external provider of assistance, but to provide some sense of why and how the internal dynamics affect the ultimate outcome. Such an approach is especially important in light of the

continuing commitment of the G8 north states as affirmed during the July 2005 plenary meeting held in Scotland.

That commitment is the most unqualified and determined yet in modern history, and failures that may follow will require deep re-examination and introspection by G8 states not to mention the subject states themselves. In Latin America, Nicaragua can be seen as the test case. If those states and the well-meaning empiricist planners employed to make a full implementation of neoliberalism fail to consider the internal dynamics first, the world will probably see a continuation of failed and slow progress among all HIPC states.

CHAPTER II

LITERATURE AND THEORY

The political and economic history of Nicaragua is important because it provides understanding of Nicaraguan experience with regard to its development and relationships with colonial and neocolonial states. Such an understanding helps explain and elaborate on the domestic independent variables and how Nicaragua has dealt with neoliberalism. Below is a review of history, political and economic literature. Also reviewed is theory literature that provides insight into Nicaragua today.

The love-hate relationship Nicaraguans feel toward the United States and other powerful states has a long history that was first articulated by General Zelaya, the Republic's head of state in the late 19th Century and early 20th Century. Attitudes and deeply held beliefs about the United States and other north states influence Nicaraguan domestic behavior today.

This chapter provides some understanding of the predicament facing Nicaragua, the various external independent forces that have shaped and will shape Nicaragua's direction, and the likelihood of its joining the modern "globalized" world. Further, it reveals the nearly unspoken reaction to the failures of neoliberalism that drives, for the want of a better term, the psyche of everyman Nicaraguan who knows the history and its relationship with the United States.

The history literature reveals an over-riding recurrence of Nicaragua as a victim of foreign exploitation either as a Spanish colony or, in more subtle but no less exploitative

post-independence, neocolonial relationships with foreign powers, especially with the United States. That literature elaborates on the early experience of Nicaraguans with Spain, the role of the Roman Catholic Church, the role of organized labor, the role of the FSLN in shaping behavior, and the shaping of those domestic variables.

The economy literature, focusing mostly on the post- 1990 period, serves to explain the alternative solution of Marxism sought by the Sandinistas and their supporters, and the foundations of neoliberalism. It is especially critical because Nicaragua has, in its recent history, experienced relatively sudden transitions from a fascist-like capitalistic market-economy system to a Marxist-inspired mixed-command economy model to the neoliberal model seen today.

The theory literature provides a starting point to help explain and predict how Nicaragua will fare in the near future given that it really has no choice but to join the neoliberal world economy. The theory literature also provides a broad understanding of past failures (both political and economic) and how Nicaraguan domestic independent variables affect integration into the neoliberal rubric.

In the mid-1960s, in response to the their neocolonial role as suppliers of commodities and consumers of finished goods, Latin American states began to adopt import substitution as a method to both escape the neocolonial relationships. Import substitution, most successfully implemented by Chile, Brazil and Argentina, was accompanied by the democratization of political systems as Latin American states threw off traditional military or military-backed dictatorships.

However, by 1990 Latin American states found themselves still subordinated to the more economically powerful states, and internal economic disparity remained

unresolved although democratization was beginning to take hold. Before Anastasio Somoza Debayle's expulsion by the FSLN, Nicaragua had not overcome the military dominated governments nor did it ever fully adopt import substitution as a national policy. Rather, it turned to revolution to experiment with the FSLN Marxist-inspired solution. While the FSLN ultimately failed, its legacy remains and affects Nicaragua's recovery and integration into the new world economic system.

After the Marxist-inspired Sandinista government was voted out of office in 1990, Nicaragua, as one of the poorest states in the Western Hemisphere, had little choice but to cooperate with the neoliberal solution. While the intentions of the United States and its allies in the neoliberal solution might be altruistic, the fifteen-year failure of the program gives reason for pause, and rationale for some would-be revolutionaries to seek yet another system in Nicaragua. The Nicaragua case is important because it provides a test bed that will, in the long run, prove or disprove the promises of neoliberalism.¹

It is difficult to argue that Nicaraguans adopting the neoliberal track is sufficient to prove or disprove its value as a solution to the economic woes because the program is still evolving. This is especially true in the face of its previous eleven years under the mixed-command economy system of the Sandinistas and the distorted model of capitalism under the 45-year rule of the Somoza dynasty. In the 1950s, the Nicaraguan economy had the highest gross domestic product of any Central American republic ending the decade at a 6.3 percent growth rate but at social costs.² By 2005, Nicaragua had become one of the

¹In the post-Cold War context, extension of power by economic means is the critical component necessary for dominance by dominant north states. Thus, the success of the neoliberal agenda is critical—especially to the United States.

²See Table 2.

poorest states in Latin America. Nicaragua, is now wed to the neoliberal solution, and its fate will depend on how its internal domestic variables treat the pressures of neoliberalism. In any case, it is “in for a penny, in for a pound.”

The reasons for Nicaragua’s failure thus far may lie, in part, because the neoliberal strategy of outside actors fail to consider the dynamics of the internal, domestic independent variables that are explained by a review of the history. The premise of the hypothesis of this work is based on that dynamic, those variables that are largely ignored when calculations are made champions of neoliberalism. Likewise, the Nicaraguans themselves appear to ignore the consequences of the domestic variables as it struggles to adjust³ to the inevitable.

While most of the literature treated below is purely historical and in some cases narrowly focused on indigenous, minority or specific parts of civil society, it also includes works on the FSLN revolution, proactive organized labor and the cross-over of the Catholic Church into secular matters.

Political, Economy and Social Literature

The most complete and balanced study of Nicaraguan history, and politics in the past twenty years has been done by Thomas W. Walker, Director of Latin American Studies at Ohio University in *Nicaragua - Living in the Shadow of the Eagle*.⁴ He is the

³It is interesting to note that the FSLN adopted the word “*ajusto*” (adjustment) as part of its lexicon to define how the Nicaraguan people have adjusted in the post-1990 environment. The implication is that there is a need for such a term to explain the relative failure of neoliberalism when compared to the profound FSLN failure.

⁴Thomas W. Walker, *Nicaragua - Living in the Shadow of the Eagle*, Fourth Edition (Boulder, Colorado: Westview Press, 2003).

pre-eminent and most active modern scholar of Nicaragua and its recent history. This work contains new material and a compilation of previous material.

His work provides a complete history from pre-colonial to post-Sandinista periods. His central theme is that the ever-present United States (metaphorically as the “eagle”) irrevocably shaped Nicaragua, and denied it the opportunity to develop its own. Walker’s work is exceedingly well detailed and thoroughly documented. It is clear that his work is not just a compilation of other works, but a result of first-hand, on-the-scene experiences including his first visits beginning in 1967, his presence in Managua at the entry of the victorious FSLN on 19 July 1979, and his later presence as an outside election observer for the 1996 presidential election that Alemán won.

The earlier title of this expanded work is *Nicaragua: Land of the Sandino*. While the endnotes to the fourth edition declare that Walker has a “succinct and even-handed manner” (Gil Joseph, Yale University),⁵ it also clear that Walker’s approach is to discover and elaborate on outside influences that distorted Nicaragua’s ability to develop as an independent and prosperous Central American state. His language sometimes slips into Marxist rhetoric and shades what is the modern seminal work on Nicaragua’s history.

His critical observations are not clouded by any love for the neocolonial relationship that he sees neoliberalism as a contributing factor. Rather, his bias is toward the mixed-model economy that the FSLN embarked on after its victory in July 1979.

[T]he neoliberal “reforms” enacted in Nicaragua from 1990 onward were actively promoted by the United States and enforced by the multi-national lending agencies . . . in which Washington exercised *de facto* veto power. . . . the regressive social implications of the IMF loans were simply incompatible with their (Sandinistas’) visions of a more just society. . . . And in 2001, in spite of deep

⁵Ibid.

concern over high levels of corruption in the Alemán administration, the international donor community formally admitted Nicaragua to the Highly Indebted Poor Countries Initiative, thus canceling much of its foreign debt.⁶

Walker is empathetic with the plight of the poor in Nicaragua; he discards the neoliberal argument that a robust capitalist economy will benefit the poor, and improve their well-being. He criticizes the “international lending community” and the United States for perpetuating “regressive social” policy while giving little credence to the HIPC initiative that canceled much of the foreign debt and allowed the post-Sandinista government to undertake social welfare reform.

Despite Walker’s obvious bias, this work is the most complete, thorough and well researched work on Nicaraguan history available either in English or Spanish. This work is really a work in progress having seen at least three iterations since the early 1980s.

Jaime Wheelock Román’s⁷ work, *Indigenous Races in the Nicaraguan Anti-colonial Fight in Nicaragua*,⁸ on the plight of the indigenous people is an extended metaphor for the present-day relationship that Nicaragua has with the United States and its economic partners. This historical recounting of events is information well known and understood by Nicaraguans in today’s context, and implicates the Catholic Church as a partner in the subjugation. Moreover, the Nicaraguan people in the Spanish-speaking most highly populated western third are an amalgam of Spanish and indigenous. While there are very few “pure” indigenous communities (an exception being Sutiava near

⁶Ibid., 100.

⁷Wheelock was a member of the original FSLN National Directorate serving as the Director of Agriculture Development.

⁸Jaime Wheelock Román, *Raíces Indígenas de la Lucha Anticolonialista en Nicaragua, 2a edición* (Indigenous races in the Nicaraguan anti-colonial fight in Nicaragua, 2nd edition), (Mexico City: Siglo XXI Editores, S.A., 1976).

Masaya), most Nicaraguans recognize their indigenous heritage and identify with indigenous issues as their own.

Much of Wheelock's reference material comes from the historical writings on the pre-colonial period of the Spanish priest chroniclers who had the task of recording conditions and events of the conquest period. Certainly the most famous chronicler was Fray Bartolomé de las Casas who refused the usual rewards of the Spanish conquistadors to senior Catholic officials,⁹ and wrote of the abuses of the indigenous peoples in Central America during the conquest period.¹⁰ Much of de las Casas' work is held in the National Library in Mexico City where Jaime Wheelock did his research.

Wheelock's work is a compelling account of the Spanish conquistadors determined efforts, with the cooperation of the Catholic Church officials, to subjugate the indigenous people of Nicaragua in furtherance of the Spanish crown's search for material riches. Wheelock, on the back cover of the book, writes that his approach to the subject is counter to the usual less-controversial approach that "justifies the structure of domination" of the pre-colonial period.¹¹

⁹Manzar Foroohar, *The Catholic Church and Social Change in Nicaragua* (Albany, New York: State University of New York Press, 1989). The encomienda system was a system of rewarding conquistadores and those who accompanied them with land holdings and rights to exploit indigenous peoples as they wished. This system was also intended to secure land for the Spanish crown over the long term. High ranking Catholic clergy participated in the system, and were therefore complicit in the abuses of the indigenous. Las Casas, however, refused to participate in the system, and by 1533 began to chronicle the abuses. His work was instrumental in the reversal of the system by the Spanish Crown in 1542.

¹⁰The small city of San Cristobal de las Casas in the state of Chiapas, Mexico is named after Bartolomé de las Casas.

¹¹Wheelock, while first recognized as a historian and history author, was one of the first members of the FSLN junta and later held the official position of Director, Agricultural Development and Agrarian Reform during the FSLN period.

Wheelock is highly critical of the brutality of the conquistadores, especially Pedro Dávila (variously spelled DáVila or de Ávila) who was named governor of Nicaragua in 1527. Dávila's tactics to subjugate the indigenous included using attack dogs, enslavement and forced labor as well as exportation as laborers to the Spanish crown's mining in Peru.

Wheelock includes material on the William Walker period and Walker's plans to enslave the indigenous people in furtherance of his goal to expand and strengthen the position of the pre-Civil War Southern states. (See later discussion of William Walker in Chapter III.) Likewise, he documents the acts of conservative Nicaraguan regimes to expropriate indigenous lands for the use of the oligarchy, most of which occurred during the administration of Pedro Joaquin Chamorro in the late 19th Century.

Wheelock documents the indigenous uprising of 1881 that, in effect was a general strike, and involved more than 7,000 indigenous activists. For a period of seven months they carried out attacks on Matagalpa, the northern center of the Nicaragua coffee region, before being brought under control. The government accused Jesuits as instigators of the uprising and in June 1881 passed legislation to expel them. This is the first instance of organized labor action in Nicaragua that provided the model for later actions. The earliest organized labor actions did not have political agendas; rather, they were focused on work conditions and poor pay.

That Wheelock takes a non-classical look at the indigenous in Nicaragua reflects his own political predilections that were revealed later when he became a member of the FSLN junta. His central theme is that the indigenous and otherwise politically helpless peoples in Nicaragua have been systematically abused, and that historical memory gives

rise to the likelihood of a popular uprising of the sort that later occurred in FSLN revolution against the Somoza dynasty.

The role of the Catholic Church in Nicaragua from the pre-colonial period through the elections of 1990 is complex, and not easily treated from a purely political or religious perspective. Manzar Foroohar does an admirable job of capturing the larger issues of the role of the Catholic Church in *The Catholic Church and Social Change in Nicaragua*.¹² He avoids the potentially prickly religious issues that might prove contentious and sensitive; his work is objectively analytical without any reference to making judgements as to right or wrong of the role of the Church's role.

Unquestionably, the role of the Church as a primary force in domestic issues is critical to this study, and this 1989 work of Foroohar provides a well-documented, comprehensive analysis. It is fair to say that while his work does not address the post-1990 period, the patterns that he reveals are still relevant and at play.

Foroohar's work addresses the secular aspects of the Church's role. His book includes many quotations and documents from Church officials to help illustrate the changing positions and roles taken by the Church. He documents the Church's complicity in abusing the peasant classes by the ruling oligarchy. He also includes commentary on the Church's commitment to raising social consciousness of the politically oppressed, and taking an activist role in overthrowing Anastasio Somoza Debayle.

Foroohar effectively demonstrates that the Church has never been a monolithic institution in Nicaragua, and most often has been split in its political loyalties. The first split Foroohar documents was the fight between the clergy in Nicaragua who wanted to

¹²Foroohar.

preserve the encomienda system and those who followed las Casas' lead. This is followed by an account of the next significant split of the Church in the early 19th Century during the independence movement. He details the alignment of the Church's priests with the conservatives and liberals and the taking of sides in national politics.¹³

Forroohar details the anti-clerical political efforts of liberal presidents that began with the 1830 confiscation of church property by the state, and the prohibition of certain orders of Church to operate in Nicaragua. There was no subtlety to the National Assembly's legislation: "All the properties of extinguished monasteries in the country belong to the state."¹⁴

In an interesting twist to the Church's role in politics, it supported the illicit presidency of American filibusterer William Walker¹⁵ who recognized the importance of the Church's support—especially in the legalization of slavery. Conservative Church officials in Granada were effusive in support of slavery. At the end of Nicaragua's first civil war in 1862, when Walker was finally ejected, the Conservative government further cemented its relationship with the Church. A concordat made Catholicism the official religion, and put the Church in charge of education throughout Nicaragua. The agreement gave the state rights to nominate bishops to the Vatican, but obliged the state to financially underwrite the Church's activities.

¹³In the long term, until Anastasio Somoza García (a nominal liberal) Anastasio Somoza García and Luis Somoza Debayle found accommodation with Church officials to gain and maintain political power, but the Church found itself at odds with the liberals under Anastasio Somoza Debayle.

¹⁴*Ibid.*, 5.

¹⁵Among other professions, Walker was a medical doctor, journalist and preacher.

Foroohar recounts that when Liberal Army General José Santos Zelaya took power in the 1893 revolution, his view of the Church's role was entirely hostile. Zelaya's Constitution of 1893 included strong separation of church and state language, and removed it from its role as the state's education function.¹⁶ "Finally (Nicaragua's) Bishop Pereira y Castellón excommunicated the president [Zelaya], and Zelaya's response was to send the Bishop into exile."¹⁷ In effect, President Zelaya, with some political liability and held in disdain by the United States government, carried out the doctrine of "separation of church and state."

The book's postscript does not predict the 1990 election result. However, it details the increasing influence of Liberation Theology and the secular role of the Church. Most important, Foroohar provides considerable detail on the severe rift in Church in Nicaragua that had developed to that point, and the dilemma that Cardinal Obando y Bravo had on his hands. The joining of progressive priests in the FSLN movement, and their role in the new government was important to the FSLN success. The role that the activists priests played averted the close scrutiny regarding its Marxist ideologies that the FSLN would have undergone, and swelled the FSLN membership with loyal followers of the activist priests.

To illustrate the involvement of the Church before the FSLN triumph: When Anastasio Somoza García was murdered by Rigoberto López Pérez, a student activist of the left-leaning Frente Juvenil Democrático (Democratic Youth Front), the Church

¹⁶There are very few modern examples of such an arrangement, but one that survives is in Belgium where the Catholic Church runs the entire public school system.

¹⁷Ibid., 11.

hierarchy in Nicaragua lost an important ally. After Somoza's death, "[Nicaragua] Archbishop Gonzales y Robleto called the dictator 'Prince of the Church,' and offered two hundred days of indulgence to the Catholics who would participate in his funeral."

Following the 1956 Bishops Conference of Central America held in San José, Costa Rica, the pastoral letter included "The Church has always condemned the usury and avarice, inequality and injustice resulting from the harnessing of wealth, insufficient salaries for minimum necessities of life and the hated latifundia and monopolies."¹⁸ In effect, the letter forecast the assumption of an activist secular role that came about with the 1968 Medellín Bishops' Conference. It was in Medellín when the doctrine of Liberation Theology in Latin America was first articulated.

This shift in doctrine led to the accommodation between the political/economic Marxist ideology and the Church's new role that was first led in Nicaragua by priests such as Ernesto Cardenal and Miguel D'Escoto who participated in the FSLN-led revolution.

While there are many works and sources that seek to explain the rise and success of the leftist-inspired FSLN, one of the most comprehensive is Matilde Zimmerman's work, *Sandinista - Carlos Fonseca and the Nicaraguan Revolution*.¹⁹ Fonseca is revered by the FSLN and its sympathizers as the spiritual founder of the movement. He is recognized as the worthy successor of Augustino Cesar Sandino²⁰ who sought to liberate Nicaragua from outside forces and bring economic, social and political equity to

¹⁸Ibid.

¹⁹Matilde Zimmerman. *Sandinista: Carlos Fonseca and the Nicaraguan Revolution* (Durham, North Carolina: Duke University Press, 2002).

²⁰César (Caesar) is the "honorific" name given to Augustino Sandino during his civil war against the conservative government of Nicaragua and the United States in the early 1930s.

Nicaragua. Most of all, he is recognized as a patriotic nationalist who sought to bring full independence to Nicaragua. The reverence in which he is held is akin to that of Cuba's Ernesto "Ché" Guevara.

Zimmerman's work begins with the aftermath of Sandino's murder at the hands of Anastasio Somoza Garcia's GN henchmen in 1932, and richly details Fonseca's dedication to unseating the Somozas until his own death—also at the hands of the GN under orders of Anastasio Somoza Debayle in 1976; Fonseca did not live to see the victory of the Sandinistas.

An interesting aspect of Zimmerman's work is her discussion of Fonseca's belief that there was no conflict between Marxism and Christianity. "Being a convinced Marxist," wrote Fonseca, 'does not exclude respecting the religious beliefs of the Nicaraguan people.' . . . Catholic students did not have to renounce their religion to join the FSLN . . ."²¹ Fonseca pointed to the example of Camilo Torres, a Colombian activist priest who had adopted a very similar philosophy. Torres, who had joined the anti-government armed revolution in Colombia, was killed by government forces in 1966—two years before Fonseca's invoking his memory.

Her biography is a condemnation of the abusive "lackey" Somoza dynasty as well as a thorough history of the FSLN movement itself. At the first assembly of the FSLN junta on July 20th, 1979 in the main square of Managua crowds chanted "Carlos Fonseca, Present," a recognition that the spirit of Fonseca ruled the moment.²²

²¹Ibid., 104.

²²Ibid., 221.

Jeffrey L. Gould's work, *To Lead as Equals - Rural Protest and Political*

*Consciousness in Chinandega, Nicaragua 1912-1979*²³ is a comprehensive study of labor and labor movements in Nicaragua that covers the post-Zelaya period through the exit of Anastasio Somoza Debayle. Most of the work is based on a detailed, on-the-ground study of the social and economic forces at play in the Chinandega Province of Nicaragua. This north Pacific coastal region is the richest agricultural area in Nicaragua that supports nearly all agriculture except for the best coffee that is grown in the north central highlands.

Gould's study covers the shift from a latifundia system that was the successor of the *encomienda* system, to a system of indigenous-run and owned *ejidos* that implies communal cooperation in farming and other labor intensive endeavors. His study demonstrates the transition of the peasants and small entrepreneurs from an apolitical, obsequious existence to a politicized and mobilized work force that would affect the outcome of the revolution.²⁴

Gould's method is case study, and his primary vehicle for the study is the labor and management history of the Ingenio San Antonio (San Antonio Sugar Mill) located in Chichigalpa, Chinandega Province. He documents the transition toward social consciousness of the workers, early labor union organization, strategies of the oligarchy to thwart labor organization, manipulation of the Anastasio Somoza Garcia government to coopt the movement into its own political strategy, the involvement of the Catholic and

²³Jeffrey L. Gould, *To Lead as Equals - Rural Protest and Political Consciousness in Chinandega, Nicaragua, 1912-1979* (Chapel Hill: The University of North Carolina Press, 1990).

²⁴This change accounts for an important domestic variable that will affect the outcome of the neoliberal strategies of the current government.

Baptist Church, the attraction and growing power of the Nicaraguan Socialist Party, the formation of politically inspired labor unions, and the ultimate effect that organized labor had on the success of victory of the FSLN in 1979.

The history is long and complex but Gould pulls it together through the eyes of the rural peasant. Gould recounts that the early apolitical workers were enlisted by Liberal forces to fight the Conservative government military forces. The Conservatives sought to bring the region under political control. Their success in resisting the Conservative government gave impetus to the government's asking for and receiving aid from the United States in the form of U.S. Marines in October 1912. The U.S. Marines managed to carry out their mission but at the expense of anti-U.S. sentiment that still resonates today. According to one account recorded by Gould,

In 1983, eighty-two-year-old Alberto Cortés claimed to remember the events quite well. "The Chichigalpino rebels fought with machetes and one or two pistols." . . . When the battle ended Lieutenant Long and his soldiers tied up thirteen insurgentes and marched them to the steps of San Blás Cathedral, in the center of town. There the Marines shot the rebels dead . . . the San Blás massacre became part of the popular consciousness. This incident reinforced anti-oligarchic sentiments among the Chichigalpinos who would begin to link their opposition to the Conservatives with their repudiation of U.S. activities in Nicaragua.²⁵

Somoza Garcia's political astuteness and Machiavellian strategies convinced the ISA workers, and the port workers at Corinto that his government would and could improve their lot, and mediate labor disputes in the workers' favor. Thus, Somoza displaced the influence of the various workers' unions, and the Conservative Party—at least until just after World War II. Essentially, Somoza managed to hijack the growing

²⁵Ibid., 26.

obrerismo (worker or worker“ism”) movement as his own taking advantage of the rural workers’ growing political consciousness, and propensity for collective action.

Strategies included Somoza’s alliance early in World War II with the influential Nicaragua Socialist Party (PSN) that was organizing labor, and becoming increasingly powerful.²⁶ This remained the central method of controlling organized labor; however, in the long run, as Gould documents, organized labor in Nicaragua finally saw through the strategy, and joined the FSLN-inspired revolution.

Gould’s contribution is his in-depth and detailed study of labor and labor organization—especially agrarian workers— during the period leading up to the Triumph. He does not limit the study to the ISA workers; rather, he uses ISA as centerpiece case study to provide a generalized understanding of the forces at play in Nicaraguan labor and how they were transformed into a politically consciousness, activist domestic force.

A well-known author of the FSLN period is Carlos M. Vilas. Vilas, an Argentine economist who worked with the FSLN junta to develop strategies of the mixed-economy model during the 1980s. His work, *State, Class & Ethnicity in Nicaragua*,²⁷ was done at the Autonomous National University of Mexico (UNAM) in Mexico City. This work deals with the plight of the indigenous peoples in Nicaragua, especially those living along the

²⁶Such an alliance with socialists during World War II represented no political liability with regard to Somoza’s affirmed alliance with the United States and its allies that included the Soviet Union. However, true to form, as the Cold War heated up after the war, Somoza disengaged from the PSN and took steps to weaken it. Such astuteness was always evident in Somoza Garcías’ relationship with labor. This trait was absent in the last Somoza—Anastasio Somoza Debayle—who finally alienated labor and lost its support to the FSLN.

²⁷Carlos M. Vilas. *State, Class & Ethnicity in Nicaragua: Capitalist Modernization and Revolutionary Change on the Atlantic Coast* (Boulder, Colorado: Lynne Rienner Publishers, 1989).

Miskito Coast (Caribbean coastal regions). Today the region represents a failure in FSLN policy because that government was never able to integrate the eastern roughly two-thirds of Nicaragua into the revolution. Many of the English-speaking people of the region, Creoles and indigenous Miskito alike, allied themselves with the Central Intelligence Agency-supported CONTRA forces.

Vilas' later book published in 1995, *Between Earthquakes and Volcanoes - Market, State, and Revolution in Central America*,²⁸ takes a more global approach to the issue of how economics affect stability, the human condition, political and social consciousness of the poor, and the role of the Catholic Church. Likewise, in *Between Earthquakes* he addresses the influences of the United States and its economic allies in the global economy but does not address neoliberalism *per se*.

His primary criticism of the United States during the administrations of Presidents Reagan, Carter and Bush I is their failure to recognize that the fundamental issue was economic disparity, not an ideological conflict.²⁹ He details human rights abuses carried out by surrogates for the United States, and cites dollar figures for those military and paramilitary operations—money that could have been devoted to the alleviation of poverty.

He also recounts instances of how the United States withheld funds from the IMF, the World Bank, and the Economic Support Fund (ESF) of the U.S. Agency for International Development (USAID) to force the various Nicaraguan governments into some compliance; the release of funding was conditioned on various demands of the

²⁸Carlos M. Vilas. *Between Earthquakes and Volcanoes - Market, State and Revolution in Central America* (New York: Monthly Review Press, 1995).

²⁹*Ibid.*, 133.

United States and its allies.³⁰ Vilas makes the very convincing point that the withholding of funds forced little political compliance but caused a great deal of suffering among the poor.

During the FSLN period, Nicaragua was altogether excluded from external economic assistance (except that received from the Soviet Union and its surrogate, Cuba) including President Carter's embargo of the last aid package approved by the U.S. Congress before the FSLN took power. This combination strategy of the United States and its Cold War allies is called the "dirty war" by Vilas who summarizes it from an objective and relatively unbiased optic.

He rhetorically asks whether the FSLN revolutionary Triumph in Nicaragua was a success, and answers that it is too difficult to judge. However, he writes, "The presence of a revolutionary option was important not only for its sake, but also for the reactions and counter strategies it evoked from the groups that were beneficiaries of the established order."³¹ This observation is important because it helps explain how domestic internal variables affect current neoliberal policy of President Bolaños.

A well-known political commentator and highly respected university professor in Nicaragua, Oscar-René Vargas, is an FSLN supporter whose observations are important to domestic readership in Nicaragua. His 2001 book, *Eleven Years After the Adjustment*,³² now in its third edition, is a critical analysis of the mid-term results of the relatively abrupt

³⁰Ibid., 130.

³¹Ibid., 138.

³²Óscar-René Vargas, *Once Años Después del Ajuste, Resultados y perspectivas*, 3ra edición [Eleven years after the adjustment, results and perspectives, 3rd edition] (Managua: National Board of Nicaraguan Universities, 2001).

transition from the FSLN mixed-model, Marxist-inspired system to the neoliberal, nominal democratic model seen today.

This is an up-to-date book that includes information on the HIPC and anti-poverty strategies that have been developed as a part of the conditions set forth by the IMF and World Bank to embark on the full program of grants, low-interest loans, loan forgiveness and other assistance. The book is rich with well-cited statistics that underlie his central thesis that no matter the apparent intentions of the neoliberal champions (particularly the “technocrats” of the Bolaños’ government), the programs that are being put in place are doomed to failure.

While avoiding mention of the FSLN failures of the period before the “eleven years” he outlines the obvious domestic issues that govern or predict long-term success. These include pervasive corruption in government, shaky infrastructure, pervasive poverty, pervasive economic disparity, poor health services, high illiteracy and a general inability of the larger population to participate in the “above ground” economy.

Vargas remarks that in the 1990s Nicaragua saw a return to old habits of “crony capitalism,” and accuses the Bolaños government of having no real sense of direction while ignoring the human condition of the people. His indictment of the current policies of Nicaragua focuses on the failure of domestic independent variables to change in a way that would make best use of the international neoliberal debt relief. He is also highly critical of the large number of international non-governmental organizations (NGOs) that operate in Nicaragua under approval from the national government. His rationale is based on his allegation that such NGOS are detrimental to Nicaragua’s natural, self-driven development.

The greatest vacuum of the government lies in social politics. The offers of support by the government to the NGOs have created . . . [the vacuum] . . . and their presence is a simulation to cover the (government's) failures. The NGOs must reconsider their political support. The time has come that they must clarify and establish their political and social intentions.³³

In effect, Vargas sees the various NGOs as having been coopted by the national government for purely pragmatic and political purposes, and in the larger sense part of the failure of the neoliberal policies of the government.

In particular, he criticizes the anti-poverty program. "The logic of the liberal technocrats is that they reduce society to economy—the economy of finance, and economy of economic speculation. Civil society must drive the logic that the economy should serve the people."³⁴ He criticizes the Nicaraguan government as, above all, self serving remarking that they must be answerable to the public at large to be effective.

Vargas' very complete discussion seems to validate the adage that "The more things change, the more they stay the same." Certainly, his outlook is not optimistic, but he blames and elaborates domestic forces that are impeding progress rather than the external neoliberal forces. He also lays blame at the feet of international institutions for being blind to domestic impediments such as corrupt political systems and eleven years of painful misdirected restructuring while insisting on the same neoliberal policies that in other instances have led to further poverty and do not address the true issues in Nicaragua.³⁵

³³Ibid., 206. Inferentially, this quotation suggests that some of the NGOs may have more than altruistic goals in mind; however, he did not specify further.

³⁴Ibid., 207.

³⁵The official title of the joint poverty reduction program of the World Bank and IMF is Poverty Reduction and Growth Facility (PRGF) or, in Spanish, Estrategia Antipobreza Facilidad (ESAF).

The activist priests who appeared on the scene in Nicaragua as early as the mid-1960s, and whose self-driven secular activity was validated by the 1968 Bishops' Conference (CELAM) in Medellín (Liberation Theology) have found themselves in a period of introspection. The most-often published priest is Ernesto Cardenal Martínez, a Jesuit who joined the FSLN before the Triumph. He, among other priests took up key positions in the original FSLN National Directorate include Miguel D'Escoto Brockman (Minister of Foreign Relations), Edgardo Parrales Castillo (Minister of Social Welfare) and Fernando Cardenal Martínez.³⁶ (Fernando Cardenal Martínez served first as the Director of Sandinista Youth and later the Minister of Education).

Ernesto Cardenal's most recent book, *The Lost Revolution*,³⁷ is a sort of lament of the failure of the FSLN revolution. He also sees the period as more than revolution. His premise is that the revolution was inevitable because of the abuses of the Somoza dynasty and those before. Cardenal provides a narrative style account of the early days of resistance and the efforts of activist priests in forming what came to be known as the Popular (or people's) Church of Liberation Theology.

He recounts an early association at the National Autonomous University of Mexico in Mexico City with Pedro Chamorro (*La Prensa* co-owner and managing editor, and spouse of later widowed President Violeta Barrios de Chamorro) and other Nicaraguans from prominent families. It was there, he writes, that he first articulated his

³⁶Ernesto Cardenal's brother.

³⁷Ernesto Cardenal Martínez. *La Revolución Perdida (The lost revolution)* (Managua: Anama Ediciones Centroamericanas, 2003).

vision of political change in Nicaragua but, at the same time, made it clear that he did not envision the founding of separate political party or movement.

Cardenál provides a very detailed history of his and his compatriots' efforts (both in religious and political senses) to alleviate the plight of the poor, usually rural peasantry through social and political consciousness programs supported by the members of the PCLT. He maintains that those activist priests chose to participate in the FSLN revolutionary activities because it best served their own goals but by no means did he consider such the joining of the movement with religion as any more than a synergistic cooperative effort.³⁸ However, he does allow that the FSLN embraced Marxist philosophy in clear opposition to the Nicaraguan Church hierarchy led by Obando y Bravo.

He is quite blunt about the famous 1983 incident in which Pope Paul II visited Nicaragua, and on the tarmac of the airfield refused to allow Cardenál to kiss his (the Pope's) ring. No doubt, that event further enlarged the rift between the PCLT and the more traditional Nicaraguan Roman Catholic Church.

In 1978 Cardenál traveled to Costa Rica where he helped reorganize the FSLN for its final assault on Somoza's forces. He provides rich detail including names, places, incidents and tactical planning. He was one of first group that traveled by air from Costa Rica in the final push, and in active voice reveals the thoughts and reservations of those who participated. His account provides a narrative of the time line, personalities, and other facts that lend understanding as to who was supporting whom in the turnover.

As both priest and member of the inner circle of the FSLN, he became the de facto voice of the movement. The month before the final FSLN push, he gave press conferences

³⁸Ibid., 42-43.

in Costa Rica to enhance the reputation of the FSLN. At that point, the movement was known as the “Group of Twelve,” and according to Cardenal the U.S. Government believed the leadership consisted of only five Sandinistas. He remarks that had President Carter known of the other two Sandinista members, he would not have proceeded to remove Anastasio Somoza Debayle.³⁹

Later, the group grew to eighteen junta members, but Washington was still blind to the truth of the Sandinista strength. “Bernard Diederich, a North American writer, wrote that there were only two on the list who were leftist radicals, they were Comandante Tomás Borge, Minister of the Interior; and Father Ernesto Cardenal, Minister of Culture.”⁴⁰

When Somoza fled Nicaragua with his entourage on 17 July 1979, Violeta Chamorro read an FSLN Junta Proclamation via Radio Sandino broadcasting from Costa Rica: “We offer to create an authentic government of national unity, and this promise has come to pass.”⁴¹

Cardenal, as a member of the inner circle, was in a position to know the most sensitive matters. One example of his inside knowledge and his detail reports on the pressure brought to bear by Costa Rica: “The President of Costa Rica insisted that the junta [immediately] establish a force in Nicaragua in a liberated area; in any case, we felt pressure from him to leave so that he could rid himself of the problem. At midnight (July

³⁹Ibid., 299.

⁴⁰Ibid., 300.

⁴¹Ibid., 299

17), we took flight in two airplanes provided by Costa Rica to land in León from where we would proceed toward Managua.”⁴²

One of the major themes throughout the book is Cardenál’s condemnation of the U.S. military, and Central Intelligence Agency role in first supporting Anastasio Somoza Debayle, and then later opposing the FSLN government in the Contra War. He details the mining of the Gulf of Fonseca and the tactic of dropping anti-Sandinista leaflets by air just before the arrival of the Pope.⁴³

The most important conclusions Cardenál makes in the last chapter of the book are (1) the failure of Daniel Ortega to win the 1990 presidential election and (2) the ultimate betrayal of the core FSLN cadre of the revolution for personal gain.⁴⁴ “If the morning of the Triumph was the most beautiful dream of my life, the morning of the [1990 election] loss was . . . [the worst].”⁴⁵

His analysis of the defeat of the FSLN at the polls in 1990 provides grist for thought. He recognizes the failure of the FSLN in carrying out promises, and he

⁴²Ibid., 302. This accounting of events implicates Costa Rica in its stonewalling the United States’ efforts to thwart the revolution, and it developed later that Costa Rica actively opposed any operations launched from its territory during the Contra War period.

⁴³Ibid., 620.

⁴⁴It is notable that Daniel Ortega, the leader of the Sandinista Front and dominant player in the 2005 National Assembly has allied himself with former President Alemán who was convicted of embezzlement and corruption. Such an alliance gives pause to any naive supporter of that pact, and gives comfort to those who believe that “business as usual” should return as the solution of choice. Cardenál makes no distinction between the sins of Alemán and those Sandinista leaders who, he contends, betrayed the movement. The “business as usual” attitude is a factor in the internal domestic independent variable of civil society and its behavior *vis-à-vis* adoption of neoliberal reforms.

⁴⁵Ibid., 649.

specifically identifies the United States as the responsible agent through economic starvation of the people.

He rationalizes the 1990 election defeat as proof that the FSLN government was truly democratic, and that the defeat was really a moral victory. He continues that the defeat of the FSLN was a *piñata* (golden parachute) for the FSLN core leadership. “We don’t have absolute proof (of systematic looting of the treasury) but we can name names. . . . Humberto Ortega, Bayardo Arce, Tomás Borge . . . now are millionaires, and they were not during the revolution.”⁴⁶ “Before in the Marxist fight that was a scientific certainly of immediate triumph. Those who only believed [in Marxism], have become disillusioned with the revolutionary fight after the [election] failure. But those who fought did it because it was a just cause, a cause of love—win or lose. For the Christians, the symbol will continue to be the cross . . .”⁴⁷

The FSLN carried out its commitment to gender equality even before the July 1979 Triumph. While exact records are not available, some literature suggests that up to forty percent of the fighting forces for the FSLN were women. With the victory of the FSLN, women began to take their place in the government and formed organizations that championed women’s causes. Despite the fact the Violeta Chamorro was one of the members of the original FSLN junta, her 1990 election to the presidency brought a great deal of frustration because her policies seemed to reverse gains made by women during the FSLN period.

⁴⁶Ibid., 662.

⁴⁷Ibid., 665.

In Cynthia Chavez Metoyer's *Women and the State in Post-Sandinista*

Nicaragua,⁴⁸ this issue is fully elaborated. She states that her estimation of women participating in the revolution was between 25 and 30 percent. She allows that women's issues were not at the top of the FSLN list, but that the victory "opened political spaces in which women's equality and other interests could be pursued."⁴⁹ Her indictment of President Chamorro and neoliberalism is explicit:

When Chamorro assumed the presidency on February 25, 1990, she intended to reactivate Nicaragua's economy by shifting from the Sandinista redistributive social model to an export-model economy based on neoliberal principles. . . . Structural adjustment policies aim to remedy stagnant economies by shifting the responsibility of survival from the state to the household. . . . Because women are traditionally responsible for managing the household and contributing to household income generation, it is no surprise that women's share of the work is increasing worldwide under structural adjustment.⁵⁰

Chavez' observation that the growth of the informal economy has affected women more than men is an oft heard complaint from the anti-globalization forces. She observes that while the percentage of women in the work force has grown, in fact most of the growth has shifted to the informal sector.⁵¹

Chavez complains that under the FSLN-sponsored AMNLAE, the women's movement was monolithic and well focused; however, because of neoliberalism the

⁴⁸Cynthia Chavez Metoyer, *Women and the State in Post-Sandinista Nicaragua* (Boulder: Lynne Rienner Publishers, 2000).

⁴⁹*Ibid.*, 3-4.

⁵⁰*Ibid.*, 5. Outside of the women's content of this quotation *per se*, this provides a concise summary of the differences between market-economy systems and egalitarian, redistributive systems in the Marxist model.

⁵¹*Ibid.*, 81-83.

movement disintegrated into more than 200 separate groups.⁵² She notes, however, that by 1996 the National Women's Coalition had been formed and supported in part by a grant from USAID. The Coalition was formed in the last year of the Chamorro administration, and has taken up community-based programs to address spousal abuse, child abuse, underemployment, and health issues. Chavez concludes that, on the whole, the FSLN gave impetus to the women's movement in Nicaragua, and that while neoliberalism impedes more progress that should be made, the establishment of the Coalition has given women a voice in the political process.

Before his assassination in Asunción, Paraguay, Anastasio Somoza Debayle completed a book in collaboration with U.S. writer Jack Cox. *Nicaragua Betrayed*⁵³ is intended as both a rejoinder to U.S. foreign policy, and condemnation of the United States government in general. It is rich with detail, and includes facsimile copies or reprints of various cables and transcripts of recordings made during Somoza's last months.

It would be irresponsible not to include this book because, while it is an acrimonious condemnation of the United States and its key allies, it provides insight into the real thinking of Anastasio Somoza Debayle. Somoza's acrimonious and nearly palpable vitriol directed against President Carter and the U.S. State Department betrays that Somoza Debayle had absolutely no understanding of the plight of the Nicaraguan people nor the reasons why the rebellion against his government was so universal in character. Likewise, he found it difficult to fathom why he, as such an ardent anti-

⁵²Ibid., 101.

⁵³Anastasio Somoza and Jack Cox, *Nicaragua Betrayed* (Boston: Western Islands, 1980).

Communist, would be forced to step down from his position as head of state and the commander of the Nicaraguan military.

In any case, Somoza details Nicaragua's faithful "service" to the United States during his time and infers the long-time almost obsequious allegiance beginning with his father's first assuming de facto control, as anti-Nazi (anti-fascist) and then as anti-Communist.

Whether support for the United States and its allies was real or little more than pragmatic politics, the evidence is clear that Nicaragua helped the United States in many ways. Such support, over a forty-year period ranged from allowing U.S. military bases in Nicaragua during World War II to protect the Caribbean, to permitting a permanent U.S. Navy communications station to operate on Corn Island off the Caribbean coast,⁵⁴ to support for the CIA in the overthrow of President Arbenz of Guatemala in 1954, to the basing of CIA operations for the Bay of Pigs to the consistent pro-US votes in the United Nations.

Somoza opened his book at the logical point in time that he saw the undoing of the Somoza dynasty in Nicaragua: the 1972 Christmas earthquake that virtually destroyed Managua and its entire infrastructure. While he was not head-of-state at the time, as one of three GN generals who were running the Republic, and as Chief of Staff of the GN, he assumed command of the rescue and cleanup efforts.⁵⁵ The disaster was so complete that it reversed Nicaragua's good reputation as an economic leader in Central. Somoza details

⁵⁴The U.S. Navy departed the small communications base just as the FSLN took power.

⁵⁵Somoza Debayle won the presidency in Nicaragua's next national election as the candidate for the Liberal Party.

the deterioration of relations with the U.S. Congress, “false” accusations of corruption in the handling of earthquake relief funds, interference from the Catholic Church in Nicaragua, a falling out with the conservative oligarchy of Nicaragua, and an acceleration of Sandinista rebel activity—particularly in the north and northwest regions.

The undoing of his relationship with the Carter administration, he claims, was due to the purposeful siding of President Carter with the would-be Marxist government of the FSLN that by late 1978 was poised in Costa Rica to move into place. U.S. Ambassador to Managua, Lawrence Pezzullo, delivered the demands of the Carter administration that he, Somoza, step aside. *Nicaragua Betrayed* contains 65 pages of transcripts of recordings he made during his meetings with various high ranking U.S. officials in Managua. It is not clear that in all cases the recordings were made with the permission of all parties. The transcripts clearly reveal Carter’s developing and final policy toward Somoza.

In a taped conversation, Somoza quotes himself: “What’s most important . . . is *that Nicaragua not fall into the Communists hands*. [italicization in original] The national interest of the U.S. will not be served well if the Communists take over this country.” Pezzullo responded, “Agreed, agreed!”⁵⁶

In their last meeting transcript between Pezzullo, Somoza Debayle and Somoza’s son (a lieutenant colonel in the GN), Pezzullo revealed that Somoza would not be afforded diplomatic immunity if he fled to the United States but stated, “You could be arrested for crimes, so you wouldn’t have that immunity. But you will have the protections of the law.”⁵⁷

⁵⁶Ibid., 371.

⁵⁷Ibid., 374.

Somoza punctuates his acrimony with what he saw as a clear betrayal by the United States. He continues describing his meeting with Ambassador Pezzullo. At the conclusion of the meeting, Somoza reminded Pezzullo that Panama, Costa Rica and other states were complicit in his downfall, and were actively supporting the FSLN effort with arms and ammunition. Pezzullo took the information as intelligence, not commentary, and added that other states including Venezuela, Colombia, and Panama were joining to urge Somoza's departure.⁵⁸

In a November 1978 meeting, Envoy William Jorden,⁵⁹ outlined the case for Anastasio Somoza's departure to Somoza. Jorden's outline reflected a worse-case scenario that would result in a communist takeover. His points included (1) an increasing political polarization that would deny a moderate government a chance to be successful, (2) an increasing potential for national economic collapse to would lead to political turmoil, (3) an increasing success of the Sandinista forces taking advantage of the first two points, (4) a fear of would-be moderate political opposition to challenge Somoza

⁵⁸An interesting historical sidenote with regard to Panama and its head of state at the time, General Omar Torrijos, is that Somoza Debayle facilitated the return of Torrijos to Panama in mid-October 1968 to successfully challenge a coup that had occurred while he was visiting Mexico for a short vacation. Somoza provided an airplane and names an experienced American bush pilot, Red Gray, to facilitate Torrijos' entry into western Panama at Malek Airport in the city of David near the Costa Rica border. Major Manuel Noriega was the local military commander who helped Torrijos return and Noriega was later awarded the position as Chief of Intelligence for Torrijos. (Personal knowledge of this author who was assigned to the Panama Canal Zone during these events.

⁵⁹U.S. Envoy of the Organization of American States, International Commission of Friendly Cooperation and Conciliation. Jorden was just previously the U.S. Ambassador to the Republic of Panama.

because of his reputation for crushing opposition and (5) the United States government's view that only outside mediation would prevent a catastrophe.⁶⁰

Somoza's response to Jorden's final recommendation that William Rogers, former Assistant Secretary of State for Latin America, serve as mediator was met with outright rejection. Jorden's response was to paraphrase a previous Somoza statement: "... you have said in the past that the choice is either you, Somoza, or chaos, and we don't believe that those are our only alternatives."⁶¹

This work serves to illustrate the increasing deterioration of Somoza's legitimacy, that his stubbornness may have radicalized the final result due to his repressive measures, and that his legacy affects the political behavior of the time affects the patterns of domestic behavior today.

The term "globalization" evokes an almost visceral reaction from its widely varied opponents, and opposition to it manifests itself in sometimes violent demonstration such as seen at the World Trade Organization ministerial summits held in Seattle and Genoa. The term is no more than a generalization of a process that defines significantly increased interchange including trade, politics, and society in the world; and that the dominance of the United States in the post-Cold War environment is a strong influence on accelerating speed and completeness of globalization.

Opponents to globalization are most often concerned with its effects relative to south states' economic well-being of people, and related issues such as health and education. The primary concern among opponents that include both individuals, national

⁶⁰Ibid., 314-315.

⁶¹Ibid., 317.

and transnational organizations, and Third World governments is increasing disparity between “haves” and “have-nots.” It is important that the history and tenets of neoliberalism (often generalized as globalization) be fully elaborated for a fuller understanding of the dilemma that Nicaragua faces.

Liberalism and neoliberalism are terms that have both political and economic definitions, and defined in both disciplines as well; in most cases they overlap.⁶² Marxism is a theory that is a political economy model, i.e., it has components that touch on ideas about politics and economy that are mutually inclusive.

As it developed in the late eighteenth and early nineteenth centuries, the intellectual movement was known as liberalism emphasized individual freedom as the ultimate goal in society. It supported laissez faire economics at home as a means of reducing the role of the state thereby enlarging the role of the individual; it supported free trade abroad as a means of linking the nations of the world together peacefully and democratically. In political matters it supported the development of representative

⁶²Robert Jervis. “Realism, Neoliberalism and Cooperation,” *International Security*, Volume 24 (Cambridge, Massachusetts: Massachusetts Institute of Technology, Summer 1999), 45. Jervis makes the distinction that neoliberalism is defined by the school of thought that analyzes international issues. “Neoliberal institutionalists concentrate on issues of international political economy (IPE) and the environment; . . . Thus . . . it would correct to say that . . . (realism) sees more conflict in the world . . . than in the world analyzed by neoliberals . . . because they study different worlds. . . . neoliberal institutionalism is more concerned with efficiency and realism focuses more on issues of distribution, which are closely linked to power as both an instrument and a stake . . . Neoliberalism’s argument (usually implicit) that distributional conflicts are usually less important than potential common gains stems at least in part from its substantive concern with issues in which large mutual benefits are believed to be possible, such as protecting the environment, rather than disputes over . . . territory, status and influence.” Likewise, Jervis makes the point that neoliberals are most concerned with absolute gains while he wonders whether states concentrate too much on the realist tenet that only relative gains matter.

government and of parliamentary institutions, reduction in the arbitrary power of the state, and protection of the civil freedoms of individuals.⁶³ Much of this thought can be seen in Simón Bolívar's "Letter from Jamaica" (Appendix III.) wherein he invokes the memory of the indigenous peoples of Latin America and yearns for republicanism.

The Nineteenth Century liberal regarded an extension of freedom as the most effective way to promote welfare and equality; the twentieth-century liberal regards welfare as either prerequisites of or alternatives to freedom. In the name of welfare and equality, the Twentieth Century liberal has come to favor a revival of the very politics of state intervention and paternalism against which classical liberalism fought.⁶⁴

Driven by economic distress and pervasive poverty, the post-Sandinista period in Nicaragua forced the succeeding governments of Chamorro, Alemán and Bolaños to take action; they had little choice but to respond to the overtures of the only option available. That option was to salvage what was left after the departure of the FSLN and Daniel Ortega by opening itself to foreign economic forces. The United States and its allies put forth a program of economic neoliberalism as the model for prosperity and economic salvation.

Economic neoliberalism may, in the minds of Nicaraguans, be no more than another false promise but the facts remain that it is the only option in play. Whether

⁶³Beginning in the late nineteenth century, and especially after 1930 in the United States, the term liberalism came to a very different meaning, particularly in economic policy. It came to be associated with a readiness to rely primarily on the state rather than on private voluntary arrangement to achieve objectives regarded as desirable. The catchwords became welfare and equality rather than freedom.

⁶⁴Milton Friedman, *Capitalism and Freedom, Fortieth Anniversary Edition* (Chicago: The University of Chicago Press, 2002), 5-6.

Nicaragua chooses to fully embrace the program of near-unfettered capitalism is a matter of which domestic variables singly or in combination finally tilt the scale in favor of full implementation. The history of world economics and the experience of Nicaragua as influenced by the various theories and national policies of more powerful states conditioned Nicaragua and its people in ways that are not well understood.

A very brief review of the classical economy theorists is appropriate to help explain and predict how Nicaragua developed into an imperfect model of theoretical free market economy. The transition from mercantilism during the colonial period to a market system early in the 19th Century nearly perfectly coincides with the theories of Adam Smith, John Mills and David Ricardo, and Nicaragua's emergence as an independent state.

David Ricardo's *Principles of Political Economy and Taxation*⁶⁵ and his remarks on Adam Smith's observations on what was to become labeled neoliberalism are included to provide a point of departure in the discussion of neoliberalism. While both posited that free trade without government controls would be advantageous to all traders, Smith's absolute advantage model was further refined by Ricardo in his comparative advantage model which is the basic and underlying premise of neoliberalism.

Smith's observation was that economies should be allowed to operate in a *laissez faire* manner but with very minimal government intervention to maximize its efficiency for the general good. The cited edition's introductory author, Alan B. Krueger, wrote:

With regard to the subject of neoliberalism and globalization, Smith makes observations throughout the tome that seem especially current and valid if the reader is in the neoliberal camp. . . . His observation was that . . . restrictions on

⁶⁵David Ricardo, *Principles of Political Economy and Taxation*, (London: J.M. Dent & Sons 1911; Amherst, New York: Prometheus Books, 1996). Citations are to the Prometheus edition.

trade are, in the long run, detrimental to both the importing and exporting states. To give the monopoly of the home-market to the produce of domestic industry, in any particular art of manufacture, is in some measure to direct private people in what manner they ought to employ their capitals, and must, in almost all cases, be either a useless or hurtful regulation.⁶⁶

David Ricardo, influenced by Adam Smith, in *Principles of Political Economy and Taxation*, expanded on economic theory and is most famous for his economic theory of “comparative advantage” in trade. He makes the central case for neoliberalism with Adam Smith’s support:

Adam Smith, . . . has shown that, by permitting every country freely to exchange the produce of its industry when and where it pleases, the best distribution of labor of the world would be effected, and the greatest abundance of the necessities and enjoyments of human life will be secured. . . . “The monopoly of the colony trade,” he says, “like all other mean and malignant expedients of the mercantile system, depresses the industry of all other countries, but chiefly that of the colonies . . .”⁶⁷

Richard Rosecrance in his *The Rise of the Virtual State: Wealth and Power in the Coming Century*⁶⁸ provides a brief explanation of how Smith and Ricardo influenced Great Britain’s economic and political policies, and turn toward a comparative advantage model.⁶⁹ Such policy adjustments can be seen as an early form of neoliberalism.

After World War II with the emergence of the Bretton Woods agreement, the Western allies embarked on a highly structured economic framework that included the introduction of the IMF, the General Agreement on Trade and Tariffs (GATT - now in its more proactive transfiguration as the World Trade Organization), and the World Bank

⁶⁶Ibid., 573.

⁶⁷Ibid., 234.

⁶⁸Richard Rosecrance, *The Rise of the Virtual State: Wealth and Power in the Coming Century* (New York: Basic Books, 1999).

⁶⁹Ibid., 216-217.

with its various major subdivisions. Other regional instruments sprung from the agreement that included the Inter-American Development Bank (IADB) that affects development in Latin America.⁷⁰ (Notably, there are other less powerful economic instruments that are under the exclusive control of the region's states.)

John Maynard Keynes in his *The General Theory of Employment, Interest, and Money*⁷¹ lays out a theory of state economic interventionism as a tool of state power in manipulation of fiscal and monetary policy.

His theory has been institutionalized in such instruments of economic power and policy as the United States Federal Reserve, the World Bank and the International Monetary Fund. While the United States and the economic IGOs that it controls put forth economic neoliberalism as the solution for Nicaragua, it is still reluctant to allow an entirely free market economy for itself having long ago conditioned itself to the tools of the Bretton Woods regime.⁷²

Neoliberal economic policy and theory have roots in liberal economic policy and theory of the past. Milton Friedman of the "Chicago School" of *laissez faire* economics is an early and central theorist, and strongest proponent of late 20th century economic theory. In his best known work, *Capitalism and Freedom*, he uses the term "liberal" in its classic

⁷⁰It is the "soft" power exercised by those institutions—mostly controlled by the United States—that shapes the well-being of Latin American states. However, that control of power is subject to severe scrutiny and criticism.

⁷¹John Maynard Keynes, *The General Theory of Employment, Interest, and Money* (New York: Harcourt, Brace and World, 1936; New York: Prometheus Books, 1997). References are to the Prometheus edition.

⁷²Keynes was a prominent representative of Great Britain in the negotiations at the close of World War I that resulted in the Treaty of Versailles, and a representative in the early Bretton Woods talks.

sense and protests strongly that the enemies of liberalism and capitalism (market economists) have appropriated the term.

Friedman's elaboration of liberal economic theory was originally published in 1962 (*Capitalism and Freedom*, University of Chicago) in the Cold War model of response to Marxist-inspired states. The post-World War II theories of John Maynard Keynes and its application in the Bretton Woods Agreement are particularly troubling to Friedman.

Friedman is an influential protagonist for free trade with minimal government intervention. His work, while based on economic analysis, is also political statement against the interventionist model of John Maynard Keynes and any Marxist theory ("welfare state") in any form. (See below for Marx discussion.)

Friedman, the central theorist of the so-called "Chicago School" of economics, credits Friedrich Hayek in his 1944 work, *The Road to Serfdom*, for laying the groundwork for the arguments against central planning that was essential to Marxist-inspired states. Friedman makes a strong argument that economic freedom with a minimum of government interference is part and parcel of political freedom. He uses the term "liberal" in the classic (now-all-but-United States) sense (see above).

[Some] activities currently undertaken by government in the U.S. that cannot, so as I can see, validly be justified . . .

Parity price support . . . for agriculture.

Tariffs on imports or restrictions on exports

Government control of output

Rent control

Legal minimum wage rates

Detailed regulation of industries

[C]ontrol of radio and television by the Federal Communications Commission.

[Compulsory] social security programs [and the requirement that annuities be bought] from a publicly operated enterprise.

Licensure provisions . . . which restrict enterprises or occupations or professions to people who have a license, where the license is more than a . . . tax

So-called public housing . . . and other subsidy programs directed at fostering residential construction such as F.H.A. and V.A. mortgage guarantees
 Conscription . . . in peacetime.
 National parks.
 The legal prohibition on the carrying of mail for profit.
 Publicly owned and operated toll roads⁷³

Friedman's work looks like the basis for economic neoliberalism in the Washington Consensus context that is the mantra of the Paris Club instruments. In effect, Friedman sought to de-construct Keynesian economics and propose a laissez faire system monitored by the Federal government that could use monetary policy to make any necessary adjustment. He provides the framework for the neoliberal policy of today in advocating a free-market system with minimal controls.

The most far-reaching criticism has come from the Marxists. Marx argued that labor was exploited. Why? Because labor produced the whole of the (continued) product but only got part of it. Even if the statements of fact implicit in this assertion were accepted, the value judgement follows only if one accepts the capitalist ethic. Labor is "exploited" only if labor is entitled to what it produces. If one accepts instead the socialist premise, "to each according to his need, from each according to his ability"—whatever that may mean—it is necessary to compare what labor produces, not with what it gets but with its "ability," and to compare what labor gets, not with what it produces but with its "need."⁷⁴

Friedman sees workers' salvation in healthy economies and political democracy. With regard to welfare and poverty issues, he addresses the issues in political terms making the distinction between political democracy and egalitarian democracy. His approach seems hard-nosed even to the neoliberal who recognizes a need to alleviate poverty if, for any purpose, but to stimulate economy and grow the economic system. Friedman has a different approach:

⁷³Friedman, 35-36.

⁷⁴Ibid.

The liberal will . . . distinguish sharply between equality of rights and equality of opportunity, on the one hand, and material equality or equality of outcome on the other. He may welcome the fact that a free society, in fact, tends toward greater material equality than any other yet tried. But he will regard this as a desirable by-product of a free society, not its major justification. . . . The egalitarian will . . . want to go further. He will defend taking from some to give to others, not as a more effective means whereby the “some” can achieve an objective they want to achieve but on the grounds of “justice.” At this point, equality comes sharply into conflict with freedom; one must choose. One cannot be both an egalitarian, in this sense, or a liberal.⁷⁵

Friedman’s premise challenges the very definition of neoliberalism which, in its present form, actively addresses issues of poverty and welfare. His approach has more to do with individual initiative with the provision of equal opportunity and access to economic systems, not equal outcomes as suggested by Marx.⁷⁶

Robert G. Gilpin, in discussion of the relationship between hegemonic powers and economic liberalism in “The Richness of the Tradition of Political Realism” in *Neorealism and Its Critics*, argues:

[T]here is no necessary connection between political hegemony and economic liberalism. . . . The close association between political hegemony and economic liberalism in the modern world began with the political and economic rise of Great Britain. . . . Nor does it follow that the decline of hegemony will lead inevitably to the collapse of a liberal world economy.⁷⁷

Realists and neorealists see a state’s economic health and its relationship to

⁷⁵Friedman, 195.

⁷⁶While not a subject of this study, it should be noted that Friedman’s central theories were applied to Chile’s economic policy during the regime of General Augusto Pinochet beginning in the mid-1970s by the so-called “Chicago Boys” (of the Chicago School). Chile’s economy prospered and despite its repressive fascist political system Chile was a leading example of a well-managed economy and prosperity in Latin America. Even today, Chile stands as an economic leader; no doubt, the Chicago School would take credit.

⁷⁷Robert G. Gilpin, “The Richness of the Tradition of Political Realism” in *Neorealism and Its Critics*, Edited by Robert O. Keohane (New York: Columbia University Press, 1986), 310-311.

military power as fungible. Gilpin's observations, while theoretically obvious, do not seem to reflect reality.⁷⁸

Economic neoliberalism is best defined by the "Washington Consensus."⁷⁹ The Consensus was first elaborated by John Williamson in a policy paper in response to the

⁷⁸One needs only to study the objectives of Sadaam Hussein in his manipulating the United Nations' "Oil for Food" program to understand the direct relationship between economic wealth and military power potential.

⁷⁹ "A Guide to John Williamson's Writing." Washington, D.C.: Institute for International Economics. Available [Online]: <http://www.iie.com/staff/jwguide.cfm#topic3> [3 December 2005]. In a background paper "What Washington Means by Reform" for an Institute for International Economics (IIE) conference in November 1989, John Williamson presented what is now known as the "Washington Consensus." The paper was later published in the conference volume *Progress of Reform in Latin America* in 1990. The early work on the Consensus ideas were formulated during the Latin American debt crisis of the mid-1980s by the IIE; John Williamson was a contributor to *Toward Renewed Economic Growth in Latin America* (Bela Balassa, Gerardo Bueno, Pedro-Pablo Kuczynski and Mario Henrique Simónson (Mexico City: El Colegio de Mexico, 1986 [in Spanish]; Washington, D.C.: Institute for International Economics, 1986 [in English])). The central themes of the book included competitive exchange rates, import liberalization, adequate domestic savings for internal investment and better controlled fiscal policies. John Williamson is the co-editor and an author in Pedro-Pablo Kuczynski and John Williamson, eds., *After the Washington Consensus: Restarting Growth and Reform in Latin America* (Washington, D.C.: Institute for International Economics, March 2003). Williamson was also the project director and author of the United Nations High Level Panel on Financing for Development (the Zedillo Report) in 2001.

debt crisis in Latin America in the late 1980s.⁸⁰ Today it provides the rationale⁸¹ for policy that has been adopted by most of the Western World's industrialized and north states, and championed by the 21st Century economic superpowers through their strong influences on the international economic institutions. It seen as the panacea for world economic health, at least in principle even though most its strongest proponents continue to selectively retain protective tariffs and other methods both to protect domestic industry and as an instrument of power.⁸²

⁸⁰In 1972, Raul Prebisch, formerly the head of the Central Bank of Argentina and a well respected Latin American economist put forth the argument that the system of "import substitution" (imposing high tariffs on imports and subsidizing directly or indirectly national industries) as a remedy for failing Latin American economies as opposed to the then-accepted classical theory of Ricardian "comparative advantage" (See Chapter II for discussion of contribution of David Ricardo). Prebisch saw Ricardian economics as impoverishing Latin America and concluded that peripheral states, in fact, lost ground under implementation of that theory. He posited import substitution for Latin America as a solution to build Latin American economies to provide the basis for economic health and growth. This strategy was adopted by all Latin American states except Cuba, but in the long run was identified as the cause, not solution, of failing economies in Latin America. See discussion in Richard Peet and Elaine Hartwick. *Theories of Development*. (New York: The Guilford Press, 1999), 43-45.

⁸¹Political liberals and neoliberal theorists hold that international institutions such as the World Bank and IMF are at least equal to if not more important than states in the world system. Therefore, what is today labeled as economic neoliberalism with the Washington Consensus as its framework, both political and economic neoliberalism meld together with an ever-diminishing distinction as stand-alone theories.

⁸²For the purpose of clarity the terms, first, second and third tier states are used; however, the author recognizes that these terms can easily be replaced by such terms as Major Western Industrialized states (such as the United States, Canada, France and Great Britain), G8 or G8 states (that include the former list plus Japan, the European Union as a separate entity, and Russia); NIEO states (newly emerging economic order); NIC (newly industrialized countries such as Poland, Indonesia and Argentina), and LDC states (least developed states such as Haiti, Nicaragua and Somalia. Likewise, as detailed later in this study, North-South Theory characterizes Northern states (generally in the northern hemisphere) as industrialized and advanced, whereas South states (generally in the southern hemisphere) are characterized as developing or underdeveloped.

The Consensus has been adopted as policy by most first-tier and second-tier states; however, there is growing resistance to the consequences of such adoption either in an outright form (by Venezuelan President Chavez or qualified form by Brazilian President “Lula”).⁸³ It is understood that the United States’ influence over the world’s major economic institutions forecast its elaboration.

The details of the Washington Consensus in implementation are complex. This outline below⁸⁴ is the “rule book” for second and third tier states hoping to join world markets as full participants.

Fiscal discipline: government budget deficits should no more than 2% of GDP.
 Public expenditure priorities: expenditures should be redirected from politically sensitive areas toward neglected areas like primary health care, education, and infrastructure.
 Tax reform: incentives should be sharpened and sequity [sic] improved.

Financial liberalization: interest rates should be market-determined as far as possible.
 Exchange rate: rates should be sufficiently competitive to induce rapid growth of non-traditional exports.
 Trade liberalization: quantitative restrictions on imports should be replaced with tariffs in the range of 10% over a period of 3-10 years.
 Foreign direct Investment: barriers to the entry of foreign firms competing on equal terms with domestic companies should be abolished.
 Privatization: state enterprises should be returned to private ownership.
 Deregulation: governments should abolish regulations restricting competition
 Property rights: the legal system should secure property rights without excessive costs.

⁸³Pedro-Pablo Kuczynski and John Williamson, eds. *After the Washington Consensus: Restarting Growth and Reform in Latin America* (Washington, D.C.: Institute for International Economics, March 2003), 324.

⁸⁴Richard Peet and Elaine Hartwick, 52.

The Washington Consensus, on the whole, aims to simultaneously liberalize trade and economic policy while focusing on the human condition with the effect of improving everyone's lot in life no matter citizenship.⁸⁵

Marx' theories provided the doctrinal foundation for the FSLN. Marx' best-known work, *The Communist Manifesto*,⁸⁶ must be included to fully understand FSLN strategy and policy decisions. This work by Karl Marx and Friedrich Engels was first published in early 1848 just at the outbreak of the French Revolution of 1848. Marx believed that the French Revolution was to be a manifestation of his theory that the proletariat (factory worker class) would be victorious and that his work provided a guide toward their further political organization. It serves as the modern day secular bible for Marxists and was at the core of the Sandinista revolution.

The Communists disdain to conceal their views and aims. They openly declare that their ends can be attained only by the forcible overthrow of all existing social conditions (social disparity). Let the ruling (capitalist) classes tremble at a communist revolution. The proletariats have nothing to lose but their chains. They have a world to win. Working men in all countries unite!⁸⁷

The bourgeoisie, by rapid improvement of all instruments of production, by the immensely facilitated means of communication, draws all, even the most barbarian, nations into civilisation. The cheap prices of its commodities are the heavy artillery with which it batters down all Chinese walls (foreign trade), with which it forces the barbarians' intensely obstinate hatred of foreigners to capitulate. It compels all nations, on pain of extinction, to adopt the bourgeois

⁸⁵Notably, the tenets of the Consensus are Marxism on its head with the exception of attention to the social condition of the working class that in the Marxist model requires direct state intervention and economic control. See theory chapter for fuller discussion.

⁸⁶Karl Marx and Friedrich Engels, *The Communist Manifesto* (1848 in German; repr., with translation to English. New York: Penguin-Putman, Inc., 1998).

⁸⁷*Ibid.*, 91.

mode of production; it compels them to introduce what it calls civilisation into their midst, i.e., it creates a world after its own image.⁸⁸

It is an easy task to substitute Marx' words for capitalist states, "Chinese" to second and third tier former colonial states, Bretton Woods institutions as the means, and the West as racist and exploitative. The various forms of communism and socialism that emerged collapsed or mutated, and there is no example of pure Marxist theory having succeeded in the long run.⁸⁹ This remains the strongest argument against such systems. That is not to say that its altruistic motives were and are not embraced as legitimate goals. Despite its history and failures in implementation, Marxism has wide appeal because it addresses issues of disparity and social injustice; and, at least in theory, egalitarian forms are appealing to even the most skeptical.

Marxism later mutated to a more pragmatic form refined by Lenin. Lenin's "contribution" to Marxism through the introduction of a "vanguard" and his willingness to make practical changes, ultimately proved to be a faulty strategy. However, Lenin gave Marx credit for "... the advantage of (the proletariat) of clearly understanding the line of march, the conditions, and the ultimate general results of the proletarian movement."⁹⁰ Neoliberals see Marxism, Communism, Socialism and the variants as impediments to the full development and potential of the world's economy in the *laissez faire* model.

⁸⁸Ibid., 55.

⁸⁹The well-known stage theory of Marx, e.g. primitive society - slavery - feudalism - capitalism - socialism - communism (final stage) was never played out. The implementation was stillborn because of later adoptions that did not follow the model. For instance, Lenin was willing to deal with capitalists of the West; the best and early example being Armand Hammer a Lithuanian-born, Jewish entrepreneur from the United States.

⁹⁰Ibid., xxiii.

The Sandinistas labeled their version a “mixed” system—a system that endeavored to change a nominal market economy of the Somoza dynasty to a state-planned and run system. It should be remembered that Nicaragua was a client state of Cuba and the Soviet Union. The early Sandinista system was really dependent on the beneficence of Cuba and the Soviet Union. This was in return for its Cold War usefulness as a strategic ally by virtue of its geographic location and proximity to United States military interests.

Shafik Handal and Carlos Vilas, two prominent Latin Americans (the first a politician and revolutionary, and the other an economist) discuss the relevancy of Marxism and socialism in the post 1990 environment in *The Socialist Option in Central America*.⁹¹ *The Socialist Option* was published just after the FSLN loss in the 1990 elections. What they recognize is the reality of the collapse of the Soviet Union and its consequent withdrawal of support of its client states including Cuba and Nicaragua. They suggest a compromise solution in the face of the rise of neoliberalism.

Carlos Vilas was a primary economic advisor to the FSLN in the Ministry of Planning; while there he also assisted in the planning for the FSLN program to take control of the Creole and Miskito-dominated Atlantic Coast made up of two large states, North Zelaya and South Zelaya Provinces.⁹² It was during this period that the provinces were renamed RAAN and RAAS in a symbolic FSLN gesture to the indigenous people of the Miskito region.

⁹¹Jorge Handal Shafik and Carlos M. Vilas, *The Socialist Option in Central America: Two Reassessments* (New York: Monthly Review Press, 1993).

⁹²These provinces were renamed by the FSLN administration to North Atlantic Autonomous Region (RAAN) and South Atlantic Autonomous Region (RAAS) to recognize the uniqueness of the region and as political recognition of equality. These names were later incorporated into the FSLN inspired, current Nicaragua Constitution.

Shafik Jorge Handal was the general secretary of the El Salvador Communist Party and senior official in the Faribundo Martí Liberation Front (FMLN)—the equivalent of the FSLN. The book is in two parts; the first part is an interview of Handal conducted by Marxist scholar Marta Harnecker that is largely political in commentary, and the other is a Vilas elaboration of the Handal interview in terms of economic observations and solutions.

This turn of events [downfall of the Soviet Union and the failure of the FSLN in the 1990 elections along with the failure of the revolution in El Salvador] has not come to us *gratis*, it is a result of the fact that they have not been able to beat us militarily. We are a force with a demonstrated capacity to hit strategically at the regime [referring to Latin America as a whole and El Salvador in particular] . . . Our own experience sufficiently demonstrates that revolutionary violence is a necessary response to oppression, and a legitimate right of people. The theorists of “new thinking” shouldn’t forget that the violence occurring in social, political and revolutionary struggles has deep roots in the exploitation and oppression of some people by others, which express a hateful racial, nationalistic and religious discrimination. . . . In the third world, the achievement of changes without violence that the people long for is the exception to the rule.⁹³

He holds that *detente* was achieved at the expense of the Soviet Union that ultimately resulted in its defeat, and traces the downfall of the Soviet Union to the emergence of neoliberalism. What was left, he said, was “[T]his same public that did not find a vanguard with a clear alternative to offer; on the contrary, there were many demagogues with a neoliberal mentality that coaxed the masses with promises of social welfare based on privatization and ‘free market.’”⁹⁴

Handal called for a socialist state in El Salvador but applied his solution to all of Latin America. In particular he criticized the El Salvador bourgeoisies for failing to

⁹³Ibid., 90

⁹⁴Ibid.

establish true democracy, agrarian reform⁹⁵ and national self-determination making the point that the United States dominates El Salvador in all respects.⁹⁶ Handal called for a “new society” wherein the capitalist and socialist forces could find a solution to address social and economic disparity. Vilas central question is whether the FSLN and FMLN, having essentially lost their battles for political control by 1990, left any useful lessons or institutions.⁹⁷ Handal cites raised social consciousness of previously marginalised classes of people including women, peasants, and indigenous groups; a greater sense of participation in government; a mobilization of “sectoral” interest groups business associations; and chambers of commerce.⁹⁸ He laments the general decline of popular participation in institutional in institutional affairs.⁹⁹ Vilas continues, “Socialism did not replace capitalism, and instead of *patria libre* . . . we now face renewed hegemony of the United States . . . but (the Revolution) forced the United States to . . . alter its old alliances.”¹⁰⁰ He also claims that the first fully free democratic presidential election in Nicaragua was due to the hard work of the FSLN.¹⁰¹

⁹⁵Referring to the 1930s El Salvador communist-inspired agrarian and worker revolution that resulted in reforms..

⁹⁶Referring to the Marxist idea neo-colonial exploitation by capitalist states. See above for discussion.

⁹⁷Ibid., 81.

⁹⁸Vilas makes specific reference to the COSEP and its opposition to the FSLN government.

⁹⁹Ibid., 125.

¹⁰⁰Ibid., 134.

¹⁰¹Ibid., 122.

The beginnings of realism pre-date modern history but its elaboration by Hans Morgenthau after World War II is timely for political and economic understanding of the behavior of states. The proponents and theorists of neoliberalism can be seen as those who predicted political behavior and economic policy seen today. One of the first was F.A. Hayek who, just at the close of World War II, was a proponent of a return to the liberal attitudes of the 19th Century.

While Morgenthau and Hayek were both economists by profession, their works are written in a political vein. The section below mostly pertains to power and relationships of states in terms of conflict and cooperation. F.A. Hayek, an Austrian economist who taught at the University of Chicago, the University of London and the University of Freiburg, wrote *The Road to Serfdom*,¹⁰² first published in London, not as an economic work but “... as a warning to the socialist intelligentsia of England.”¹⁰³ Hayek believed that his academic associates and friends who advanced the socialist agenda were misinformed about totalitarian regimes—particularly Nazi Germany. Proponents of Marxism would clearly see Hayek’s work as a serious challenge along economic and political lines.

Hayek did not mince words in his 1956 preface written at the height of the Cold War: “... socialism is probably a thing of the past, some its conceptions have penetrated far too deeply into the whole structure of current thought to justify complacency.”¹⁰⁴

¹⁰²F.A. Hayek, *The Road to Serfdom, Fiftieth Anniversary Edition* (Chicago: The University of Chicago Press, 1994).

¹⁰³*Ibid.*, xxviii-xxxiv.

¹⁰⁴*Ibid.*

“What is called economic power . . . can be an instrument of coercion . . . it creates a degree of dependence scarcely distinguishable from slavery.”¹⁰⁵ The contribution of Hayek in *The Road to Serfdom* was his challenge to the political thinking of the time. He was an economist but attached a great deal of importance to political systems. Central planning of the sort seen in totalitarian regimes, he wrote, were doomed to failure. Further, collectivism along the Marxist model was likewise doomed because it reduced the likelihood that individual would innovate, invent and otherwise be motivated to maximize production.

Hans J. Morgenthau’s masterwork *Politics Among Nations: The Struggle for Power and Peace*¹⁰⁶ is recognized as the central theory of modern realist. The original edition was published in 1948 by McGraw Hill Companies, Inc. It came on the heels of the post-World War II recovery and the beginning of the Cold War. As such, it was a vehicle to explain and predict state behavior, and no doubt influenced the Truman Doctrine of containment. Further, it is recognized as the centerpiece for the Cold War policies of the West.

The realpolitik logic of Morgenthau¹⁰⁷ was a useful tool and guide for Cold War policy that was subscribed to by the Soviet Union as an instrument to attract other peoples

¹⁰⁵Ibid., 160.

¹⁰⁶Hans Morgenthau and Kenneth W. Thompson, *Politics Among Nations: The Struggle for Power and Peace, Brief Edition* (Boston: McGraw Hill, 1993).

¹⁰⁷Ibid., 34.

and states in the Cold War battle for dominance.¹⁰⁸ Likewise, the United States adopted the Truman Doctrine of containment that while fundamentally defensive in purpose also adopted similar strategy.

Morgenthau took the position that the motive of a state determined the interpretation of whether economic policy were selfish or altruistic, and used the example of loans to Poland by the United States after World War II as an example. “[T]he purpose was not primarily economic or financial. It was rather to enable such countries to move towards a degree of independence of the influence and power of the Soviet Union.”¹⁰⁹

He wrote that if the United States chose to defer or forgive payment of such loans, then it would be not just for “humanitarian and charitable” reasons. Morgenthau provides “proof” that powerful states care little about the well being of the people. Such reasoning strengthens the Marxists’ “devil” theory.¹¹⁰ However, he takes care to deconstruct the Marxist argument. “The ‘devil’ theory of imperialism operates on a much lower intellectual level than do its companion theories. It is widely held by pacifists and has become stock-in-trade of Communist propaganda.”¹¹¹

¹⁰⁸The Soviet Union treated Cuba in a neo-colonial sense but its major interest was political and strategic, not economic. Nikita Khrushchev later remarked that the third stage of the capitalist crisis in Cuba was born without an economic crisis and therefore did not qualify as a legitimate revolution of the people. Khrushchev characterized the West’s capitalism as imperialism (inferring economic colonialism) and the creation of the multi-national and transnational corporations as an instrument of imperialism. The Castro revolution largely predated this period.

¹⁰⁹*Ibid.*, 35.

¹¹⁰The Marxist assertion that equates capitalism and imperialism as a conspiracy of capitalist states to serve private gain.

¹¹¹*Ibid.*, 60-61

Morgenthau maintained that imperial powers summon capitalists to support imperial policies. Morgenthau made the point that economic imperialism could be aimed at changing the status quo of power relationships and that states as rational actors may undertake such policies; however, such policy would gain no territory. Morgenthau used Central America as an example to illustrate his argument.

The Central American republics, for instance, are all sovereign states; they possess and display all the paraphernalia of sovereignty. But, their economic life being almost completely dependent upon exports to the United States, these nations, unless they receive significant support from another source, are unable to pursue for any length of time policies of any kind, domestic or foreign, to which the United States would object.¹¹²

In the Cold War model and in its manifestation in the Truman Doctrine of containment, alliances of states in the Western Hemisphere were important to the West. This included Nicaragua as a part of the overall strategic importance of not allowing any Soviet incursion or influence into the Western Hemisphere. Whether it can be seen as rational today, the Cold War mentality of the United States government and its allies was that it would support any pro-Western, anti-Soviet regime no matter its domestic record at home. This included the Somoza dynasty governments.

Morgenthau and realists easily separate economy from larger state interests. What was important to the realist during the Cold War was that Nicaragua was in the Western camp. Morgenthau would today argue that the WTO, IMF, IADB and the World Bank are no more than tools of the states that control them, and have no higher function.

¹¹²Ibid., 71.

Kenneth N. Waltz' *Theory of International Politics*¹¹³ was published 41 years after *Politics Among Nations*. Waltz had the advantage of seeing how post-World War II IGOs roles played out during the Cold War. He began in his first chapter: "I write this book with three aims in mind: first to examine theories of international politics . . . ; second to construct a theory of international politics that remedies the defects of present theories; and third, to examine some applications of the theory constructed."¹¹⁴

Waltz was very careful to construct his theory in a strict "scientific" sense, and intended that his work not be merely descriptive. Unlike Morgenthau, he makes use of statistics for his empirical "proofs." His painstaking care to define his terms and methods are indicative of his career as a distinguished college professor and former president of the American Political Science Association.

Waltz maintains that states are the sole actors on the international scene, and that matters of economy and economic policy both domestically and internationally are functions of those states. However, Waltz is more specific about the contribution of trade to power of a state. Quoting Henry Kissinger, Waltz wrote, "[M]ilitary, economic, and political potential were closely related. To be powerful, a nation had to be strong in all categories. This is no longer so. Economic giants can be militarily weak, and military strength may not be able to obscure economic weakness."¹¹⁵

¹¹³Kenneth M. Waltz, *Theory of International Politics, First Edition* (Boston: McGraw Hill, 1979).

¹¹⁴*Ibid.*, 1.

¹¹⁵*Ibid.*, 130.

Waltz was mostly concerned about trade as a component of interdependence, and he devotes a great deal of discussion about the issues of relative strengths and weaknesses that economic interdependence causes. He stated that economic inequality is inevitable; however, he gives a positive spin to it by arguing that the converse. “The inequality of states, though it provides no guarantee, at least makes peace and stability possible.”¹¹⁶ Such an observation may seem an anathema to a Nicaraguan in 2005 who is living at or below subsistence level.

Richard Rosecrance in *The Rise of the Trading State*¹¹⁷ elaborates a theory that trade has become the defining factor in state power relationships. In his earlier works, Rosecrance was an advocate of a systems approach to explain and predict behavior of states. Rosecrance posited that complex interdependency of states was more relevant than a more straightforward realist or neorealist view, and that trade has become more important than territory or military power.

Rosecrance holds that trade is at least equal in the equation as military force, and that “socialization” of states can lead to the trade option. He notes “[C]apitalists of the First World conspire together to impose a condition of dependency on the less developed nations of the Third World. . . . The capitalist North gets richer . . . while the South get poorer.”¹¹⁸

¹¹⁶Ibid., 131.

¹¹⁷Richard Rosecrance, *The Rise of the Trading State: Commerce and Conquest in the Modern World* (New York: Basic Books, Inc., 1986).

¹¹⁸Ibid., 51. While not addressed in this work, it is important to define North-South theory. In short, the theory holds that through circumstances of history and development, north states (largely in the northern hemisphere) that are industrialized and otherwise advanced will continue to exploit either through design or by circumstance the South states that are located largely in the southern hemisphere and mostly agrarian. Rosecrance

If Rosecrance were to re-write or update *Trading States*, he would no doubt observe that the United States and its Western economic allies have, with the exception of the Gulf War and War in Iraq, sought to dominate and manipulate the world economy through the various Bretton Woods institutions. To Rosecrance, this is predictable behavior.¹¹⁹

Rosecrance posited that trade and control of economic systems were a peaceful and likely alternative to warfare and territorial expansion; however, he conceded that even the weakest states must maintain some territorial integrity and devote energy to its defense. "In defense and trade, there is mutual exchange and a sharing of responsibilities. . . . [In the 1980s], Third World countries contracted great debts and high interest rates . . . a combination of refinancing of loans and rescheduling of payments . . . offered hope for a purely economic and commercial solution of the problem. Military force certainly provided no answer."¹²⁰ The World Bank and the IMF have engaged in such peaceful behavior in the last decade in the form of programs such as the HIPC initiative.¹²¹

Rosecrance criticizes Marxist dependency theory as more a result of internal "local adoption" of a means of development that results in great economic disparity. Perhaps the most notable element of neoliberal theory is inclusion of international regimes and IGOs in the mix of "players" on the scene that can influence outcomes in both military and

held that (in 1986) that the north states would eventually have to face the dire need of the South.

¹¹⁹Rosecrance, x.

¹²⁰*Ibid.*, 21.

¹²¹Nevertheless, anti-globalization skeptics would maintain that such activity is no more than neo-colonial behavior of the powerful states of the world system.

economic senses. Rosecrance argues that such regimes and IGOs have almost equal if not more power to influence events. He continues, “[I]nternational regimes do not cover all forms of international behavior. In security, for example, there is no regime which governs the military . . . behavior of the United States or the Soviet Union.”¹²²

In *Power and Independence*,¹²³ Robert O. Keohane and Joseph Nye continue the logic of Rosecrance but include a wider panoply of actors. They cite Morgenthau and his *Politics Among Nations* as a sort of bequest that constrained United States foreign policy during the Cold War.¹²⁴

Keohane and Nye make the case that powerful states have shifted policy and tactics, and their *Power and Independence* is a thesis to support that change, and a theory. Like Waltz, they are academics, and are careful to construct the theory with explanatory notes and definitions. The authors’ theory, then, replaces the realists’ theory that only state actors matter and that they always seek to maximize or at least balance their positions vis-a- vis security requirements through force. Keohane and Nye hold that states’ foreign policy can no longer ignore today’s complex interdependency, and that decision makers can no longer ignore domestic affairs in making and carrying out foreign policy.

Under realist conditions, one expects military force, whether used directly or by linkage, to be the most effective instrument of state policy. Under conditions of complex interdependence, manipulation of economic interdependence in the issue area and of international organizations and transnational actors are expected to be

¹²²Ibid., 60. On the surface, it seems strange that Rosecrance does not cite agreements such as SALT I & II that can be counted as regimes.

¹²³Robert O. Keohane and Joseph S. Nye, *Power and Independence*, Second Edition (New York: Harper Collins, Publishers, 1989).

¹²⁴Ibid., vi.

more important for achievement of states' goals. As we have seen, although force remains a potential instrument of state policy . . . its use has become less frequent, particularly by large states. . . . The smaller states, (have proved) more adept, however, in manipulating transnational actors.

More broadly, faced with the erosion of one regime, the great powers have tried to negotiate an alternative to through international organizations rather than unilateral measures backed by force. . . . in short force . . . has not been the most important instrument.¹²⁵

Their central advice is that foreign policy must include the issues and vagaries of complex interdependency, and avoid the realist military force. While defining liberal theory, they also provide the basis in logic for economic neoliberalism.

After the Washington Consensus: Restarting Growth and Reform in Latin America,¹²⁶ published by the Institute for International Economics, is a primary source of Washington Consensus theory. It is a discussion of the successes and failures of the first iteration of the Consensus, and an outline for continued movement toward full implementation. It lays out the changes that are necessary to bring Latin America to the point of being able to compete in today's economic global environment. The central theme focuses on the equitable distribution of wealth and social well being. *After the Washington Consensus* is a recipe that is necessary to regenerate the reforms that were first instituted beginning in the later 1980s following the debt crisis. Some of the additional ideas having to do with educational, political and labor reforms were not included in the original Consensus outline, but are seen as essential for a comprehensive recovery.

John Williamson's *Consensus* on which this work is based was the short-hand term for a system of reforms but, "The term has been used and misused in all sorts of ways

¹²⁵Ibid., 115-116.

¹²⁶Kuczynski and Williamson.

... to mean *laissez faire* and minimalist government, and a disdain for all values, the growth of GDP, but its original meaning was vastly less ideological.”¹²⁷

Most of the comparisons, and standards by which Nicaragua is measured are either from the United States, OECD (Organization for Economic Cooperation and Development¹²⁸); or the European Union, and the standards first laid out in the Maastricht Treaty that established it. The central argument is that well-established political and economic reformed institutions are the key to progress.

While the original *Consensus* was not political in purpose or intent, *After the Washington Consensus* agenda takes on political issues head-on as part and parcel of necessary second-generation reforms. The second generation list includes “An important role for the state of institutions ... in creating and maintaining the institutional infrastructure of a market economy.”¹²⁹ This is a departure from the original consensus that assigned only a small role to the state.

In the chapter by Patricio Navia and Andrés Velasco, that updated agenda is revealed as all of the first ten points (see above) plus the following:

Legal and political reform
Regulatory institutions
Anti-corruption (continued)
Labor market flexibility

¹²⁷Ibid., 22.

¹²⁸Organization for Economic and Cooperation Development (home page) , Available [Online].<<http://www.oecd.org/home/>>[23 January 2005]. A successor organization of the Marshall Plan, it was established in 1960 and now made up of thirty predominantly Western industrialized states but has some recent accessions eastern European states such as the Slovak Republic.

¹²⁹Kuczynski and Williamson, 11.

World Trade Organization agreement
 Financial codes and standards
 “Prudent” capital account opening
 Nonintermediate exchange rate programs
 Social safety nets
 Poverty reduction¹³⁰

According to the authors, the problem with this second-generation list, is that they affect entities that have little interest in change. This is certainly true of the former Nicaraguan Presidents Ortega and Alemán, plus those sectors of society that control the economic pulse of the state. Their observations supports this work’s basic premise that it is the internal dynamic that most affects change.

Anti-Globalization Literature:

*Alternatives to Economic Globalization*¹³¹ is a comprehensive volume that covers details of the anti-globalization arguments. Its title that includes “economic” reveals the care in which this book was conceived and put together by the International Forum on Globalization. The book is the result of an effort to reach overall consensus of nineteen anti-globalization (anti-neoliberal) writers and activists in the movement.

“The immediate priority is to frame the issues, recognizing that to arrive at a consensus . . . is a far more complex and difficult task than building agreement on what we oppose. That which we oppose is immediate and concrete. . . . We live and breathe the

¹³⁰Ibid., 268.

¹³¹“International Forum on Globalization.” *Alternatives to Economic Globalization, A Better World is Possible: A Report of the International Forum on Globalization*. (San Francisco: Berrett-Koehler Publishers, Inc., 2002).

consequences of corporate globalization and share the great pain it inflicts on humanity and the earth.¹³²

The International Forum on Globalization was formed in January 1994 on the eve of NAFTA implementation, and is composed of a wide range of anti-globalization members and member organizations.¹³³ It is the leading anti-globalization non-governmental organization. This book has nineteen authors—many well known in anti-globalization organizations—and its purpose is to provide comprehensive arguments that demonstrate the failures of neoliberalism, and provide alternative solutions.

The areas include agrarian reform, ecology, poverty reduction and, in general, the negative effects of globalization (in its strictest definition) and economic neoliberalism. A unique term “economic democracy” is defined and discussed at length.

The current and future well-being of humanity depends on transforming the relationships of power within and between societies toward a more democratic and mutually accountable modes of managing human affairs that are self-organizing, power-sharing, and minimize the need for coercive central authority. Economic democracy, which involves the equitable participation of all people in the ownership of the productive assets on which their livelihood depends, is essential to such transformation because the concentration of economic power is the Achilles heel of political democracy, as the experience of corporate globalization demonstrates.¹³⁴

The authors see the Bretton Woods system as undemocratic and dominated by the interests of the wealthy states. They include “Key Ingredients of the Globalization Model” (paraphrased by author)

¹³²Ibid., 1.

¹³³International Forum on Globalization (home web site) is Available [Online] :<<http://www.ifg.org/>>[22 January 2005].

¹³⁴International Forum on Globalization, *Alternatives to Economic Globalization*, 8.

Promotion of hypergrowth and exploitation of environmental resources
 Privatization and commodification of public services
 Global cultural and economic homogenization and intense promotion of consumerism
 Integration and conversion of national economies to environmentally and socially harmful export-oriented production
 Corporate deregulation and unrestricted movement of capital across borders
 Dramatically increased corporate concentration
 Dismantling of public health, social, and environmental programs already in place, and
 Replacement of traditional powers of democratic nation-states and local communities by global bureaucracies¹³⁵

One of the issues addressed is that neoliberal policies have an effect in the formal job sector forcing a shift to informal thereby exacerbating the ability of governments to address poverty, education and health. This shift is accompanied by an increasing disparity in income distribution. “. . . with no clear evidence that this shift is temporary in character.”¹³⁶

Among the other issues are the effects of neoliberalism on human rights diminution and systematic violations of the United Nations charter in the name of corporate expansion and neoliberalism. Examples include the argument that the understanding of the “commons” be expanded to include public health systems, water purification, education and information access. “. . . the quality of being available to all . . . [but] have since been absorbed by the state and are also now on tap for privatization.”¹³⁷

¹³⁵Ibid., 19.

¹³⁶Ibid., 214.

¹³⁷Ibid., 82.

As with the *Alternatives to Globalization, Latin American Political Economy in the Age of Neoliberal Reform*¹³⁸ is important if not a bit dated because it addresses the arrival of the neoliberal model and the collapse of the import substitution model that had been prevalent. While not an anti-globalization/neoliberal tome *per se*, it is a comprehensive look at the effects of the transition and its likely outcome. “Understanding these social and economic transformations and their implications demands a fundamental rethinking of many central issues in Latin American political economy. . . . We harbor no illusions of having discovered a new paradigm.”¹³⁹

The focus of the book is to explore the relations between economics and politics in the neoliberal environment. The introductory chapter by Eduardo Gamarra deals with the issues of simultaneous economic transition to a neoliberal model and democratization. The central thrust of the authors, as addressed in chapter two, is to reconcile the “. . . socio-political conflict and economic performance in order to understand the logic of support for and opposition to market-oriented restructuring and to identify several alternative political-economic scenarios for the region.”¹⁴⁰

The authors link politics with economic health. In effect, they propose a renewed effort while they lament the previous failed systems—including neoliberal approaches. They make the observation that the Pinochet government in Chile successfully achieved

¹³⁸William C. Smith, Carlos H. Acuña and Eduardo A. Gamarra, *Latin American Political Economy in the Age of Neoliberal Reform: Theoretical and Comparative Perspectives for the 1990s* (New Brunswick: North-South Center, Transaction Publishers, 1994).

¹³⁹*Ibid.*, v.

¹⁴⁰*Ibid.*, vii.

economic prosperity; however, at the expense of democracy and the human condition. They observe that new democracies such as that of Nicaragua have a great deal more difficulty with crafting successful economic policy than long-established democracies such as that of Costa Rica.

Since its publication in 1993, left-of-center governments have with the exception of Venezuela, failed politically and economically.¹⁴¹ Costa Rica can be defined as a left-of-center state by long tradition along the line of Social Democrats in Europe. Costa Rica fits the model of economic “success” of a well-established democracy. On the other side of the coin, Nicaragua, that could be defined as a democracy during Sandinista period (but an egalitarian democracy) and should be counted by definition as a new (political) democracy that is struggling.¹⁴²

Given the conditioning of the general population in Nicaragua to social responsibility, the post- Sandinista governments beginning in February 1990 may have had the intent but not the resources without outside assistance. Even then, the starting point in early 1990 was so low that recovery of basic services was difficult.

An observation made in *Latin American Political Economy* is that “... one striking feature of Spanish public opinion [in the Latin cultural context] data is the gradual

¹⁴¹Other up-to-date literature on the same subject cites Hugo Chavez’ left-of-center policies, while dictatorial in character and having the potential to succeed, are leading to economic disaster.

¹⁴²Richard Harris and Carlos Vilas, eds. *Nicaragua: A Revolution Under Siege*. (New York: Zed Books, Ltd., 1985). Harris and Vilas provide in-depth discussion of the failing Nicaraguan Sandinista policies under pressure from the United States in the Contra War.

disassociation between evaluations of the economic situation and of political institutions.”¹⁴³

This speaks to the issue of effects of monism and human behavior, and to the observation that the culture¹⁴⁴ may never allow an escape from that model despite incessant pressures for political change from the United States and the West in general.¹⁴⁵ Both this work and the earlier reviewed work (Handal) advocate a social democratic system as the ultimate long-term solution for Latin America. (Likewise, in the modern world, this speaks to Islam followers who, from the Western optic, disassociate relationships between economic conditions and theocracy as a preferred mode of social organization.)

¹⁴³Ibid., 193.

¹⁴⁴Skidmore, 5-7.

¹⁴⁵Marcelo Cavarozzi. “Politics, a key for the long term in South America” in *Latin American Political Economy in the Age of Neoliberal Reform*. William C. Smith, Carlos H. Acuna, and Eduardo A. Gamarra, eds. New Brunswick: Transaction Publishers. 1994. Cavarozzi identifies “new” caudillismo as embodied in the presidencies of Carlos Menem in Argentina, Fernando Collor de Mello in Brazil and Alberto Fujimori in Peru (only Collor de Mello was still in office in 2004). He calls them “minimalist” caudillos with a “. . . personalist leadership style typical of the state-centric formula.” Cavarozzi argues that those new caudillos have developed “complicity” with the general populations, and expressions of empathy for reduced standards of living that results in political apathy. Plus, those new caudillos also try to maintain exclusivity for policy initiation and innovation that results in the need to permanently generate innovations that further leads to greater centralization in the hands of the □ presidencies—a vicious circle that results in corruption and ultimate failure. The author cites the Fujimori case. Arguably, Alemán, the Nicaraguan president who preceded the current president of Nicaragua, Bolaños, and succeeded the first 1990s Nicaraguan president, Chamorro, fits the model of an increasingly corrupt, state-centric “new” caudillo.

Integrative Literature

Jeffrey Sachs' as a special advisor to the United Nations Secretary General addresses the United Nations ambitious Millennium Development Goals program that is focused on poverty reduction in targeted states of the world. His *The End of Poverty - Economic Possibilities for Our Time*¹⁴⁶ work is designed as a fresh look at the methods and strategies that have been developed. He asks why the neoliberal program has been relatively ineffective to date despite a panoply of IGOs, NGOs and individual states that are focused on total elimination of poverty and a regeneration of the poorest states to become economically self sustaining over the long term.

Sachs is clear in expressing his belief that *The End of Poverty* is within reach over time; however, he is also quite specific in his criticisms of the international community's failure to carry out an effective program. His book, written with the intention of serving as a sort of report to the international community, is never-the-less objectively specific in listing failure and likewise specific with a plan to pull together the various entities into an effective force.

His central theme is that the extant programs are incoherent and not focused on the real, underlying, causes of pervasive and unending poverty. The community, he writes, "... announces bold goals . . . and even ways the goals can be achieved such as the pledge of increased donor assistance. . . . Yet, when it comes to real practice . . . the Millennium Development Goals are expressed only in vague aspirations rather than operational

¹⁴⁶Jeffrey D. Sachs, *The End of Poverty - Economic Possibilities for Our Time* (New York: The Penguin Press, 2005).

targets.”¹⁴⁷ (An observation by such a well-respected economist must rankle the bureaucracy of the various IGOs and internal Nicaraguan government officials. However, at least one prominent Nicaraguan economist, Avendaño, seems to be in agreement.)

He is a proponent for capital development and eschews Marxism out of hand. Globalization, and all that goes with it, is seen as a fundamental and permanent feature of the world’s economic landscape. Sachs’ goals-based poverty reduction strategy is laid out in five parts:

- A Differential Diagnosis [tailored to each state’s needs]
- An Investment Plan which shows the size, timing, and costs of the required investments
- A Financial Plan [tied to the Investment Plan that details the exact portion that donors will have to commit to fill]
- A Donor Plan [that details the necessary donor commitment to fill the MDG financing gap]
- A Public Management Plan that outlines the mechanisms of governance and public administration that will help implement the expanded public investment strategy.¹⁴⁸

While Sachs does not address Nicaragua in this work, he does detail his extensive work with the Bolivian¹⁴⁹ government. While much of the discussion has to do with monetary policy, what is most clear is that solutions are at hand if the public will supports them.

Sachs holds that outside intervention is essential, and he provides compelling arguments that such intervention should include absolute, no-strings-attached debt

¹⁴⁷Ibid., 271.

¹⁴⁸Ibid., 273.

¹⁴⁹Bolivia is one of four HIPC states in Latin America. The Bolivian national election of socialist candidate Evo Gonzalez and his installation in January 2006 creates uncertainty with regard to Bolivia’s HIPC treatment with regards to reforms.

forgiveness. Official Development Assistance (ODA), the term for non-NGO assistance from IGOs and individual states, he writes, is critical to breaking the inevitable downward spiral of poverty. He puts forth the Marshal Plan as an example of a well-coordinated, apolitical, humanitarian program that should be modeled,¹⁵⁰ and he cites the fact that the Marshal Plan cost the United States approximately one percent of GNP from 1948 to 1952, about ten times more than the United States is now committing to poverty relief today world wide.

Sachs takes the time to either validate or debunk commonly held “truisms” that predict that there is no real hope for any program. These include corruption, democracy deficit, patterns of behavior, lack of moral values, lack of modern values and “laziness.”

His view of globalization champions the dictum that “a rising tide lift all boats” is that globalization and free market systems (inferentially economic neoliberalism) will not, on their own, be sufficient to either meet the current challenge or keep up with population growth and simultaneous depreciation of domestic capital investment. Rather, he holds, that with sufficient ODA, the dictum will be valid even for the donor IGOs and states.

Sachs believes that the anti-globalization have been useful in exposing hypocrisy and “self congratulations” of the WTO and IMF. He writes that because of the anti-globalization efforts, the issue of poverty reduction has stayed on the “front burner.” However, Sachs is also critical of the anti-globalization movement in their unending anticorporate animus, the movement’s belief that special protections must be provided to states from corporate evils, and its failure to recognize that globalization has resulted in a

¹⁵⁰He does not miss the point that a weakened western Europe after World War II would have been vulnerable to Soviet influence.

reduction of extreme poor. The anti-globalization forces, like the MDG, fails to recognize the underlying deeper causes of poverty.¹⁵¹

Jagdish Bhagwati, a political economist at Columbia University and former advisor to the United Nations on globalization, debunks many misunderstood or purposely distorted features of globalization in *In Defense of Globalization*.¹⁵² He makes the point that globalization is a very old and natural phenomena that was only interrupted after World War I by ineffective protective measures such as the Smoot-Hawley Tariff act. Above all, Jagdis believes that the proponents of neoliberalism and the anti-globalization forces should reconcile with a common goal toward creating an effective program to alleviate poverty and rectify social inequities.

Samuel P. Huntington is sometimes categorized as a realist; however, his *The Clash of Civilizations and the Remaking of World Order*¹⁵³ he looks at an entirely different framework to explain the behavior of states in today's world. In the Post-Cold War environment, his own analysis shifted toward culture and "civilizations" from states as unitary actors in the realist context. His is an historical perspective rather than a more clinical empiricist's approach. He recognizes that states are only a part of a larger system that are subordinated to the more important historical divisions of culture and civilizations. In effect, he looks beyond the strictly constructed and parsimonious realist's approach to international relations.

¹⁵¹Ibid., 357.

¹⁵²Jagdish Bhagwati, *In Defense of Globalization* (New York: Oxford University Press, 2004).

¹⁵³Samuel P. Huntington, *The Clash of Civilizations and the Remaking of World Order* (New York: Simon and Schuster, Inc., 1996).

Among others, Huntington uses Latin American examples to illustrate his argument. He reminds the reader that Mexico, as affirmed by its famous modern Mexican writer Octavio Paz, is a non-Western state—it is an indigenous culture; therefore, a Western policy maker may not automatically presume that Mexico will behave in a Western manner despite its geographic position. To further make the point, Huntington details the programs of Mexican presidents de la Madrid and Salinas de Gortari to recombine and strengthen the sense of Mexican “self” in the 1980s as had President Benito Juarez, a Zapotec, more than a century before when he defeated the French (read Western European) Emperor Maximilian.¹⁵⁴

Huntington maintains that civilizations are not easily integrated. That is not to say that the West cannot do business with other civilizations—only that the West must recognize the differences and act on them. Huntington cites the North American Free Trade Area (NAFTA) and other economic IGOs such as MERCOSUR (Southern Cone Market)¹⁵⁵ and the Central American Common Market (CACM). With regard to NAFTA, he writes “[T]he United States and Canada attempt to absorb Mexico . . . [It is] a process whose long-term success depends on the ability of Mexico to redefine itself culturally from Latin American to North American.”¹⁵⁶ In effect, any reconciliation between cultures toward some mutual benefit will take time and patience. Huntington is pessimistic about

¹⁵⁴This fits with the Nicaraguan sense that there is an indigenous element in that society that can be seen in the few remaining concentrations and in the Miskito Coast; likewise, it fits well with the notion of exploitation by foreign forces.

¹⁵⁵MERCOSUR now includes Brazil, Argentina, Uruguay, Paraguay with Chile and Peru as associate members.

¹⁵⁶*Ibid.*, 127.

modernization and the “advanced material level” of “civilization,” because of the increased immorality and a general breakdown of law and order. However, he applauds the changes that have reduced slavery, torture, and abuse of individuals.¹⁵⁷ He offers a recipe for avoidance of further breakdown that includes the mandate for the West to “. . . encourage the ‘Westernization’ of Latin America and, as far as is possible, the close alignment of Latin America with the West.”¹⁵⁸ This proposal seems interesting because of the historical closeness of the United States with Latin America in the first instance; however, Huntington is addressing the more profound issues of cultural, linguistic and religious differences. In effect, Huntington instructs the West to make further efforts to bring about the homogenization of the Western Hemisphere.

The most up-to-date integrative work on the present political and economic dilemma in Nicaragua is Antonio Lacayo Oyanguren’s *La Difícil Transición Nicaragüense, en el Gobierno con Doña Violeta* (The difficult Nicaraguan Transition, in the government of Doña Violeta).¹⁵⁹ From the perspective of the Nicaraguan moderate optic, this is the most definitive work available. Lacayo was the Minister of the Presidency under President Chamorro, and the driving force and architect behind the organization of UNO that successfully unseated the FSLN in the late 1989 presidential election. More than the official roles he played, Lacayo is the son-in-law of Chamorro, and as such was and is privy to the most intimate of details of that period in Nicaraguan

¹⁵⁷Ibid., 321.

¹⁵⁸Ibid., 312.

¹⁵⁹Antonio Lacayo Oyanguren, *La Difícil Transición Nicaragüense, en el Gobierno con Doña Violeta* (The difficult Nicaraguan transition, in the government of Doña Violeta) (Managua: Fundación Uno, 2005).

history. In his official position as Minister of the Presidency, he was in close contact with high U.S. Government officials and with former President Carter whose foundation monitored the 1989 presidential election.¹⁶⁰

La Difícil Transición is an intimate work that reflects the deepest of understanding of independent and dependent variables that play out in Nicaragua; as a Nicaraguan nationalist, he knows how the internal dynamics can affect outcomes no matter the constancy of international support or motive. He details the development of those internal dependent variables and how they interact today with great care.

Perhaps most valuable of all is the Lacayo lends understanding as to how President Chamorro managed to carry off a change in government, retain control and placate the very large and active FSLN residual such that Nicaragua did not enter into yet another civil war. Her government was really a tenuous weak coalition of parties that sought to displace the Marxist, mixed-economy strategy of the FSLN, and her support was subject to quickly dissolving in the face of other ambitious and capable UNO coalition members.¹⁶¹ In particular, he explains the rationale behind leaving Humberto Ortega in

¹⁶⁰ Author's note: While I have acknowledged Antonio Lacayo and cited him numerous times in this work, I feel compelled to mention that his valuable and always generous assistance lead me to a greater understanding of the Nicaragua situation. Our first twenty minute meeting went for three hours, and his generous support has not waned since. Above all, he is a Nicaraguan patriot to the core, and with a great deal of study and understanding of the historical past of Nicaragua, and takes his own decisions on matters that have and will affect the outcome of the current dilemma. In my last brief meeting with him in Washington, D.C. in February 2006, he expressed a great deal of skepticism about the political future of the republic in view of the motivations, qualifications and backgrounds of those would-be presidential candidates discussed in this work. Nevertheless, he remains hopeful and determined to make a contribution to the final outcome.

¹⁶¹ In the UNO nomination process, Virgilio Godoy received four votes for nomination, Enrique Bolaños three to Violeta Chamorro's five. Godoy was chosen to be

place as the head of the military during the early days of Chamorro administration much to the chagrin of the U.S. Congress. It is interesting to note that he explains that he had an almost instinctive trust that Huberto Ortega would carry out an agreement to facilitate the reduction of the EPS and agree to step down at a later date.

Lacayo credits former President Carter's simple question whether he (Lacayo) had ever met with either Daniel or Humberto Ortega as the pointer to find a long-term plan for President Chamorro.¹⁶² Lacayo's answer being in the negative gave impetus to the obvious conclusion that such a meeting was paramount, and it was the meeting with Humberto that gave Lacayo the post-election strategic outline for President Chamorro's ultimately very effective reconciliation strategy. In return for Humberto Ortega's commitment, Lacayo gave President Chamorro's promise that there would be no retribution against the EPS or other armed branches of the FSLN government.

Lacayo explains every step taken by the Chamorro administration to simultaneously retain power and undertake the necessary national reconciliation to provide the path to a successful transition. With the understanding that the U.S. Government, would react negatively (and did by withholding vitally important financial support) President Chamorro did not devalue the positive contributions of the FSLN and agreed to abide by the 1985 (FSLN) Nicaraguan Constitution.¹⁶³ The struggle for legitimacy of her government was well understood to be the first order of business.

the UNO vice-presidential candidate. Godoy, as vice president, was opposed to working with the FSLN during the transition and this, in part, led to the final breakup of UNO.

¹⁶²Ibid., 30.

¹⁶³Ibid., 140.

Only Lacayo would have the ability to define the most poignant moments in Chamorro's administration. One event reveals both the determination and heart-felt joy at the final demobilization of the EPS. "[Contra] Commander Franklin [and] Israel Galeano kept their promise [at the ceremony in Chontales] . . . and brought her their arms. Doña Violeta took them, embraced them, kissed them and raised a rifle above her head as she was met with a grand cheer."¹⁶⁴ In attendance at the event held in the town church was Bishop Obando y Bravo and other dignitaries. During the same event, the Contra forces gave up 62 Red Eye ground-to-air missiles and by the end of the month Humberto Ortega had managed to reduce the EPS by half. While this event is but one event described by Lacayo, it lends to a greater understanding of the power of Violeta Chamorro to persuade Nicaraguans that the time had come for reconciliation. While Lacayo does not define those moments as the reason that Violeta Chamorro is known today with great affection and respect as Doña Violeta, it is obvious that her almost mystical unifying force accounts for the relatively smooth transition that Nicaragua was able to make.

As important and telling as Lacayo's inside knowledge of the Chamorro administration was, perhaps as important is his keen understanding of the inner workings of U.S. politics. He includes many quotations by such U.S. Government luminaries of the time such as Jesse Helms (a hard-over anti-FSLN opponent) and James Baker (a more pragmatic solution seeker). Also notable is Antonio Lacayo's sense of humor. He explains that while having to deal with the many-headed hydra (the overwhelming number of issues to deal with and resolve), state duties, while usually tedious, sometimes revealed the more human side. One such story that he relates in his book is the situation he found

¹⁶⁴Ibid., 189.

himself in during a state trade visit to Taiwan in which he found himself sitting next to a very high government official who must have been the most prodigious drinker of alcohol in the country. Upon the occasion of the last toast of the evening, everyone but that official rose; his body seemed totally immobilized and despite his best efforts he could not unglue himself from his seat.

Perhaps the most important point Lacayo makes in *La Difícil Transición* is that President Chamorro and her camp, even today, do not consider themselves neoliberals, liberals nor populists,¹⁶⁵ but patriots who are focused on a healthy and prosperous future. His concern for honesty and integrity in politics with a focus on nationalism is the recurring theme of his work; and his own history serves to reinforce his commitment to such values. Clearly, he subscribes to the basic tenet that peace and reconciliation are and were most important. Lacayo concludes,

As a consequence of democracy, the government of Doña Violeta installed a firm and lasting peace after ten years of civil war—something seen as almost impossible. The government . . . demobilized the resistance forces (residual of the Contreras) as the last armed force against the government in the history of our country, reduced the Sandinista Popular Army to the smallest in the region, imposed the law of the Republic on the Nicaraguan Army, subordinated authority of civil officials to elected officials, and professionalized and introduced a culture of national reconciliation . . . so cemented in place that a foundation is left such that never again will the children of this nation will die for political reasons.¹⁶⁶

¹⁶⁵In this context, this reader understands clearly that neoliberal refers to the negative aspects of the thrust of the Washington Consensus, that liberals refers to the residual of the worst of what former President Alemán represents and populists to the FSLN and the negative baggage that is still at the feet of the general population in Nicaragua.

¹⁶⁶*Ibid.*, 714.

Explaining Nicaraguan Revolution

Crane Brinton's 1938 master work, *The Anatomy of Revolution*,¹⁶⁷ neatly applies to the Nicaraguan case; it provides structure to this study and a rough outline for events that have occurred in Nicaragua from the mid-1970s to 2004. Brinton's work has explanatory and predictive value with reference to the FSLN revolution in Nicaragua and post-1990 events. Brinton's projections remain accurate in the modern context.

The early stages of revolution, according to Brinton, are characterized by a weakening economic position on the part of the ruling class (oligarchy) and subsequent loss in confidence. In Nicaragua, the parallel is the result of the Somoza dynasty always allowing a competing monied class but never giving up ultimate control.

As the fortunes of the dynasty slipped, it put more pressure on the oligarchy and, thus, provided the seeds for the early movement—especially after the devastating 1972 earthquake in Managua. “[The] discontent which undermined their *esprit de corps* at the outbreak of the revolution had its origins in their economic difficulties.”¹⁶⁸

By late 1978, the anti-Somoza oligarchy had joined with the FSLN as the so-called “Group of Twelve” for the purpose of deposing Somoza and rebuilding Nicaragua in a new model. However, the opposition oligarchy did not expect to be completely overtaken by the ideology of the FSLN.¹⁶⁹ As the revolution builds to a climax, according to

¹⁶⁷Crane Brinton, 1938, *The Anatomy of Revolution*. Revised edition. (New York: Prentice Hall, Inc., 1965).

¹⁶⁸*Ibid.*, 56.

¹⁶⁹Brinton observes throughout his work that as political independence rises, so does the discontent of the masses who become more aware of how much they are still not in control of their destinies. This interesting observation can be applied to the discontent

Brinton, the legitimacy of the government declines, as can be seen in the Russian example, discontent increases, censorship increases,¹⁷⁰ taxation is perceived as unfair, government deficits increase, more than usual corruption is perceived, and work stoppages (official strikes and otherwise) begin to occur. The government begins brutal crackdowns on civil disturbances. This is exactly the pattern of the Nicaraguan revolution leading up to the 19 July 1979 “Triumph.”

The second stage of the revolution is labeled by Brinton as the “rule of the moderates.” In this case, the FSLN movement had already envisioned the need to include moderate voices in the campaign, and therefore included Violeta Chamorro as an early junta member. Further, the alliance with the Group of Twelve was seen as a necessary step to gain the confidence of Nicaragua as a whole.

Typically, according to Brinton, the moderate rule that is put in place after the revolution is short lived because it cannot satisfy the inflamed demands of the revolutionaries nor satisfy the remaining loyal opposition oligarchy. The attempt to appoint the “moderate ruler” surrogate by Anastasio Somoza Debayle just days before his departure from the country fits this model perfectly. He must have known that his appointee, Francisco Urcuyo, was doomed to failure. Urcuyo fled Managua just a day after Somoza.

of the FSLN electorate in the 1990 elections in which they failed to re-elect President Daniel Ortega.

¹⁷⁰A case in point for Nicaragua was the heavy censorship of the *La Prensa* newspaper whose editor was Pedro Chamorro, husband of Violeta Chamorro. Although Pedro Chamorro was murdered in the streets of Managua in January 1979, probably by Somoza henchmen, his newspaper fared no better during the FSLN period that censored it in the name of the defense of the revolution.

After the Triumph, the FSLN Directorate began its consolidation of power, and lost its moderate voice with the withdrawal of key members of the junta including Violeta Chamorro. Chamorro, in Brinton's theory, would be from a well respected background and highly placed in the opposition movement of the former government.¹⁷¹ Violeta Chamorro could not be thought of a member of the opposition in the FSLN's government's earliest days because her husband, Pedro, vigorously opposed Anastasio Somoza Debayle, and was murdered at the hands of Somoza henchmen. However, for reasons never made public, she had a falling out with the FSLN leadership, and the FSLN lost an important moderating voice. With her departure from the junta, she took with her the middle class and the business class that had sided with the FSLN during the last days of the Revolution.

The next stage identified by Brinton is labeled "The accession of the extremists." This stage, like its label, is characterized by the total takeover by a smaller but more ideologically unified revolutionary group. The FSLN followed this pattern exactly with the moderate junta quickly being outmaneuvered and replaced by a "National Directorate" that included only avowed Marxists who systematically dismantled the early reforms of the moderates. They then proceeded along a more purely Marxist/Socialist agenda without regard to political freedom or freedom of the press.¹⁷²

¹⁷¹ Another example would be that following the Russian February Revolution in 1917 when Czar Nicolas II was deposed, he was replaced sequentially by Count Grigory Liov and then by Alexander Kerensky (a respected Socialist lawyer in Moscow), both moderates who were finally displaced by the Bolshevik leader, Vladimir Ulyanov (Lenin) in October 1917.

¹⁷² A case in point for Nicaragua was the heavy censorship of the *La Prensa* newspaper whose editor was Pedro Chamorro, husband of Violeta Chamorro. Although Pedro Chamorro was murdered in the streets of Managua in January 1979, probably by

In fact, President Carter who had abandoned Anastasio Somoza Debayle promised support to the early junta but later realized that the shape of that government had changed into a more extremist model. "The dictatorship of the extremists embodied in governmental forms such as rough and ready centralization. . . . a wide range of matters is taken away from local (democratically elected) authorities."¹⁷³

Again, this was the case in Nicaragua exactly as in Brinton's model; the new FSLN junta disposed of nearly all dissenting groups and moved toward consolidation as the Central Intelligence Agency began to mount the "Contra" opposition. The FSLN would and did use any force necessary to quash any opposition during the mid to late 1980s.

Brinton identifies the final stage of revolution as the *thermidor* period (a breaking of the fever) or, metaphorically, the ebbing of the tide of revolution.¹⁷⁴ The moderate period is followed by extreme economic distress and shortages of basic necessities in which the extremists begin to lose the fealty of even their most ardent advocates. What follows is a return to normalcy that Brinton measures in elastic long-term social systems. ". . . social systems are still in many respects almost as perversely unaffected by revolutionary good intentions as tides or rubber bands."¹⁷⁵ The *thermidor* is characterized by a number of changes. Arguably and ironically, it is Violeta Chamorro,

Somoza henchmen, his newspaper fared no better during the FSLN period that censored it in the name of the defense of the revolution. A study of the Cuban Revolution will reveal the same pattern. President Urrutia, a moderate named by Castro as president, lasted only a short while.

¹⁷³Ibid., 171.

¹⁷⁴Ibid., 205.

¹⁷⁵Ibid., 204.

elected in 1990, who assumes the role of the leader in the *thermidor* period. She was faced with a need for reconciliation but still had to maintain sufficient control to carry out the necessary policy to move from a centrally planned economy and highly polarized society to a market economy and a more democratic system of government. As in the Brinton model she was able to take advantage of the mood of the people who sought a more peaceful and quieter environment.

The Transition Protocol authored by Chamorro's Minister of the Presidency, Dr. Antonio Lacayo, enabled the process. The most critical move, perhaps, was Chamorro's agreement to leave Daniel Ortega's brother, Humberto, in charge of the military. This was a pragmatic maneuver that allowed her time to eventually remove him without incident, and reduce the bloated and unnecessary military force.

Other steps included amnesty programs for political foes of the former regime, the return of the traditional (more conservative) Catholic Church (countering the example of the revolutionary priests who were so influential in the FSLN junta), a return to "pleasure" or signal from her administration that there was no requirement to follow the regimen of the FSLN Marxist-inspired junta, and a return to the concept of private property and property rights.

The governments of Alemán and Bolaños can be seen as a further expansion of the *thermidor* direction, and the policies of those governments follow the same rough pattern. However, some variances can be observed such as the issues of the residual FSLN influences and the pervasive corruption which plagues the political system.

Perhaps the most important observation of Brinton, at least for the Nicaragua case, is that permanent changes occurred in the society and culture that affected future attitudes

and changes in domestic variables. While Brinton observed, “It may be that what they changed is more—or less significant for the sociologist than what they did not change.”¹⁷⁶

Among other changes, however, are the expectations of the population at large that political change can be made, that the machinery of government should be efficient and serve the people, demands for the reduction of poverty, a sense of egalitarianism, a reduction of class structure influence, a return of real freedom of religion, and a cautionary signal to future would-be despots.¹⁷⁷

While it would seem unusual to some to include a theory of revolution in this work, it is at the same time clear that Nicaragua is still in the process of revolution. Brinton’s work is remarkable in that it outlined the likely path that Nicaragua would take more than sixty years ago. His book only treats four major revolutions including the American Revolution and the Bolshevik Revolution, he very carefully laid out “uniformities” in revolutions that have value for the analysis of the Nicaragua case.

Hypothesis and Discussion

The multiple factors in the dynamics of Nicaragua’s current situation with regard to its poor economic health and alarming level of poverty make it a “model” to study in terms of the effects of neoliberalism that has been in place for the past fifteen plus years. Neoliberalism is a term that does not automatically connote economic policy or change; however, in the context of the new, post-Cold War world order, the economic issues are the imperatives, and the ultimate success or failure of the tenets of economic neoliberalism

¹⁷⁶Ibid., 237.

¹⁷⁷Ibid., 237-249.

will be played out first in those states that have the least ability to dictate their own policies.

In the face of the collapse of communism and the subsequent loss to Nicaragua of its patron state, the Soviet Union, Nicaragua is faced with no choice but to choose the neoliberal plan. There is no other option except to the extent and speed to which Nicaragua embraces the G8's demands.

It is important here to make distinction between neoliberalism as a general political science term that can be seen as the opposite of Marxist historical materialism as both an historical analysis, and political economy theory. (In the United States the terms liberal and neoliberal have varying meanings according to the discipline; but are seen as mis-used by the rest of the world.)

In defining the difference between neoliberalism as a political concept and economic concept,

[T]he social functions of production and distribution, surplus extraction and appropriation, and the allocation of social labor are, so to speak, privatized and they are achieved by non-authoritarian, non-political means. In other words, the social allocation of resources and labor does not, on the whole, take place by means of political direction, communal deliberation, . . . (etc.), but rather through the mechanisms of commodity exchange . . . based on contractual relationships between "free" producers—juridically free and free from the means of production—and an appropriator who has absolute private property in the means of production.¹⁷⁸ . . . capitalism has a special character because the coercive power supporting capitalist exploitation is not wielded by the appropriators . . . [but] by the state . . . and private economic power . . .¹⁷⁹

¹⁷⁸Mark Rupert, ed., *Ideologies of Globalization - Contending Visions of a New World Order* (New York: Routledge Press, 2000), 3.

¹⁷⁹*Ibid.*

Her point is that while government and government policy have a coercive effect, ultimately the market which has its own authority will determine the outcomes. In effect, she provides the argument that the neoliberal solution when left to full development will fulfill its promises.

It is important here to make distinction between neoliberalism as a general political science term that can be seen as the opposite of Marxist historical materialism as both an historical analysis, and political economy theory. (In the United States the terms liberal and neoliberal have varying meanings according to the discipline; but are seen as mis-used by the rest of the world.) In Ellen Meiksins Wood's *Democracy Against Capitalism*,¹⁸⁰ she defines the difference between neoliberalism as a political concept and economic concept, and clarifies the term in the international context.

The "prescription" for Nicaragua's recovery, then, has already been laid out in general concept by the adoption of the Washington Consensus and in particular by the conditions of the ESAF. Those external variables can be seen as constant, at least for the foreseeable future, and any success or failure of that regime will depend on how Nicaragua aligns herself with the theory and practice of economic neoliberalism. The ultimate, underlying tenet of economic neoliberalism that represents the Cold War victory is based on private ownership of the means of production and laissez faire system of commodities exchange.¹⁸¹

¹⁸⁰Ellen Meiksins Wood, *Democracy Against Capitalism* (Oxford: Oxford University Press, 1995).

¹⁸¹Rupert, 49.

The question, then, remains whether such a remedy will work in Nicaragua.

Nicaragua has the resources and human capital to make sufficient recovery to join the modern world economic system but for the dynamic of the internal variables. For the purposes of this study, the external variables are treated as constants, and the focus is on the internal, domestic variables that will finally influence the outcome. The underlying basis for the hypothesis of this study is that only domestic variables matter, or put somewhat more positively: domestic forces in Nicaragua will determine the likely success or failure of its economic revival and full re-integration into the world system.

The important domestic independent variables are reduced to five. They are influence of the Catholic Church, the influence of the business community and its instruments, influence of labor, enduring effects of the FSLN and the Revolution, and the political culture of Nicaragua. These variables are critical to Nicaragua's neoliberal solution, or the chance that Nicaragua might choose to return to some variation of a past experience.

CHAPTER III

POLITICAL AND ECONOMIC HISTORY TO 1990

This chapter's focus is on Nicaragua's direction and likelihood for a healthy political and economic recovery in the context of neoliberal basic outline and the historical background of the Republic. The primary instrument of the neoliberal agenda is seen in the DR-CAFTA (Dominican Republic - Central America Free Trade Agreement).¹ Below is a brief history of Nicaragua that provides the background to this study. The detail is important because it lends understanding to the Nicaraguan experience with regard to its own development and relationships with colonial and neocolonial states. In the modern context, such an understanding has a direct relationship with the dynamics of neoliberalism.

The love-hate relationship Nicaraguans feel toward the United States and other powerful states today has a long history that was first articulated in Nicaragua by the Republic's head of state, General Zelaya, in the late 19th Century. Such attitudes and deeply held beliefs about the United States shape current domestic behavior; thus, they affect domestic independent variables that will ultimately guide the outcome of the current recovery struggle.

This review also lends to the understanding of the various external, independent forces that have shaped and will shape Nicaragua's direction, and the likelihood of it

¹The United States, Dominican Republic and Nicaragua along with the other Central American states are signatories to DR-CAFTA (Dominican Republic -Central American Free Trade Agreement) sometimes known as CAFTA-DR.

rejoining the modern “globalized” world. Further, it reveals the nearly unspoken reaction to the failures of neoliberalism driven by the psyche of every Nicaraguan who knows the history of Nicaragua and its relationship with the United States.

In the context of the historical, economic, cultural and political history, the four selected internal, independent variables are treated below. The external independent variables including foreign ODA support and relief in all forms are treated as a collective constant, but presumed to condition the domestic independent variables.

Notwithstanding the best efforts of Nicaraguans themselves who had no real identity until the early 20th Century, the Republic has been the subject of outside exploitation from the beginning. The earliest exploitation by the Spanish was followed by exploitation by Great Britain and finally, in the modern context, by nearly all north states that had either a strategic or economic interest in the state. The Marxist term for the later relationship is neocolonialism.² While the interpretation of this term may be in dispute, there is not question that Nicaragua, as with other Latin American states, has been victim of exploitation and subject to unfair treatment.

The *Congressional Record* from the period reveals much discussion regarding the potential of Nicaragua as a trans-isthmian canal route via the San Juan River and the large lake system. This later developed into competition by European powers and the United States for the construction of a trans-isthmian canal. In the mid-19th Century, Nicaragua

²I have chosen to use this term because it is the easiest shorthand term available, and accurately descriptive, i.e. a colonial relationship in economic and political terms that has all of the characteristics of colonialism except its specific meaning of an official relationship. That it is a Marxist term is purely incidental to my use of the term.

was seen by some influential United States southerners for its potential as a slave state to be annexed.

In the later iteration of neocolonial treatment, Nicaragua was a pawn in the Cold War due to its strategic location in the Central America. Today, a cynic would hold that the north states' generosity and altruism in trying to revive the Nicaraguan economy is little more than selfish motives to restore Nicaragua's ability to provide basic commodities for world markets. In any case, the interpretation that is relevant to this study is that which resides in the Nicaraguan political psyche.

Formative Period

From the early 16th Century occupation by the Spanish along the western Pacific plateau and the 17th and 18th Century exploitation by the British on eastern Caribbean coastal side, Nicaragua and its people early on were seen as a resource for the benefit of its uninvited foreign invaders. While there is nothing remarkable about this for Caribbean and early Central American territories, Nicaragua's economic development or lack of it can be tied to its historical relationships with outsiders.

What is not so apparent to the casual student is how its geography affected the manner in which Nicaragua developed into a state, and how its economy people fared over time. The earliest exploitation of Nicaragua was by a Spanish expedition from what is today Panama through Costa Rica up the western side of Nicaragua by Francisco Hernandez de Córdoba in 1524. Hernandez established the first European colony in Nicaragua and led expeditions from Leon and also founded Granada. That expedition had the sole purpose of extracting gold and any specie that might be found or stolen from the

indigenous people.³ The Spanish expeditions that later developed several outposts to carry out that project were all located along the western side of Nicaragua, west of the mountain range that runs its length. The Spanish were roughly aware of the remaining approximately two thirds of Nicaragua to the east, but that knowledge did not take them beyond the western third of its territory.

Nicaragua was named by the Spanish after an indigenous chief (Nicarao) who was particularly powerful and cooperative with the Spanish.⁴ The Spanish, in the typical method of the time, made all efforts to coopt the indigenous leaders, subjugate the people for the Catholic Church, and impose at least some modicum of Spanish language and culture. Those early efforts were the beginning of successful colonization that today is reflected by the 85 percent Catholic faith of the western one third of the state, and the use of Spanish as both the official language and the *lingua franca* of the indigenous people.

Geography was the determinant that resulted in the stark contrast of what is found between the roughly eastern two thirds of the state and the western third. In the eastern two thirds, English (Creole) and some remaining indigenous languages are spoken, and the predominant religion is Moravian. In the western third, the language is Spanish with very little indigenous language spoken, and the predominant religion is Roman Catholicism.

³Merrill, 8. These two early colonial cities developed into the respective political centers—Leon as the liberal center and Granada as the conservative—whose roles played out over time in the warfare between liberals in Nicaragua. A later political compromise moved the capital to a new, undeveloped area which today known is Managua. In addition to gold and other valuables, the Spanish also enslaved many indigenous workers who were shipped to Peru to work the gold mines there. The number of those enslaved have been estimated at perhaps as many as tens of thousands. See later discussion in this chapter.

⁴Ibid., 5.

Not long after the settlement of Jamestown, Virginia in 1607 and well after the Spanish began development of the western third was the settlement of Providence Island (today renamed in Spanish Isla de Providencia) in 1631 off the Mosquito Coast. These were on the model of the Massachusetts Bay Company and other concessions granted by the British monarchy.

The earliest interests of British Puritans in settling Providence Island were to establish a foothold to develop agriculture and to exploit any trade opportunities. By 1635, the Company of Adventurers consisted of five hundred whites and ninety African slaves under the leadership of Robert Rich, the Second Earl of Warwick. The British company, while meeting with limited success in agriculture on the island, ultimately failed because of the persistent attacks by the Spanish fleet, their fear of the isolation on the island and severe weather.⁵

The colonization of the western coastal mainland was not planned. Rather, it resulted from the settlement along the Mosquito coast first at Cape Gracias a Dios by those same English indentured servants and African slaves who made their way to the mainland from Providence Island after it failed. They found the native indigenous people friendly enough, intermarried and with the later introduction of freed African slaves developed into an amalgam of what later became known as the Miskito. In the modern context, however, the general population of region has evolved into an amalgam of

⁵Robert A. Naylor, *Pente Ante Imperialism* (Rutherford, New Jersey: Fairleigh Dickeson University Press, 1989), 29.

Miskito, Creole and Hispanic Nicaraguans whose eastward expanding agricultural frontier has reached the Caribbean coast.⁶

The newly developed British outposts along the mainland Caribbean coast prospered due to trade with pirates and European visitors including the Dutch. As Great Britain recognized the potential of the region as a British colony, it began to make more purposeful efforts to nurture its development.⁷

As the British influence along the eastern coast remained constant throughout the 19th Century, the rest of Nicaragua was developing as a newly emerged state with no history but as a colonial dependency of Spain. Latin American visionaries such as Simón Bolívar included Nicaragua in grander plans to build an independent system of Latin American states. In the early part of the 19th Century most Latin American nationalists including Simón Bolívar⁸ admired the new-born United States, and had a vision of a

⁶While the people are known as Miskito, the territory is known as the Mosquito Coast or Mosquitia. In fact, the Miskito are one of six or seven tribes of indigenous people who populated the region at the time the British showed up, and who later intermarried with the British and African slaves brought with them. The exception is the Garífunos whose racial origin is only Africa; however, little is known about the true history of the Garífunos even today. The Garífunos populate areas along the eastern coast of Nicaragua, Honduras and Belize. Some people of the region refer to Miskito as the surviving indigenous native American full-blooded Miskito, i.e., not racially mixed. In western, Spanish-speaking Nicaragua, the Miskito are known as *Costeños* (coastal people).

⁷In 1687, the British governor of Jamaica formally recognized the King of Miskitos, and developed that relationship such that the King's control over the region became an integral and carefully developed extension of British control until the late 19th Century. Most of the creole and native indigenous Miskito population are pro-U.S., and many joined in the mid-to-late 1980s Contra war against the FSLN. This relationship remains an anathema, if rarely expressed, to the national government. Miskito representation in the National Assembly or in the executive branch is very minimal even though its population is approximately ten percent of the 5.5 million total population.

⁸In Simón Bolívar's "Letter from Jamaica" (1815) written during a period exile; he expressed admiration of republican forms of government and criticizes the tyranny of the

unified, independent Latin America. Little did they calculate that they would later identify the United States' "North Americans" along with the Europeans as exploiters.

The British saw Latin America as an opportunity for colonization to replace the Spanish, but American business saw Nicaragua in another light, beginning just before the U.S. Civil War. Because of Nicaragua's obvious potential as a trans-isthmian canal route⁹ due to its largest lake (Lake Nicaragua) and the San Juan River that flows from it to the Caribbean coast, its strategic potential was recognized by the Spanish as early as the 16th Century. However, practical engineering limitations dictated only that navigation up the Rio San Juan and the short overland trip from the current-day vicinity of El Virgen to San Juan del Sur on the Pacific was all that could be conceived. By the mid-19th Century it became obvious to European powers and the United States that there was potential for a trans-isthmian water route that required dredging the San Juan River from the Caribbean

European monarchies that abused their colonial relationships. Bolivar expressed the spirit of the new Latin America and included the indigenous as a part of the newly developing independent Latin America. Indirectly, he complimented the newly established United States, and later invited the United States to participate in the Congress of Panama in 1826 in which he made the first attempt at hemispheric cooperation and unanimity. Despite the proclamations of the 1823 Monroe Doctrine, Bolivar saw the United States as an equal partner and likely ally in the struggle for full independence from former European colonial masters. (Appendix III)

⁹The western-most point in a cross-isthmian route, whether by road, railroad or canal is only twelve miles from the most western point of Lake Nicaragua to the town of San Juan del Norte on the Pacific coast. Commodore Vanderbilt improved that route for his own steamship line by building piers on the lake for his shallow-draft steamers and a surfaced road from the dock site to the town of San Juan del Sur to serve "49ers" from the east coast of the United States traveling to California as an alternate to the dangerous Panama overland route. The Rio San Juan was navigable by ocean going vessels until violent earthquakes in mid to late 17th Century render it navigable only by shallow draft barges and steamers.

side, use of the lake route to the west and a short ten or twelve-mile canal leg on the Pacific side at San Juan del Sur to enter the Pacific Ocean.

After its break from the United Provinces of Central American in 1848, Nicaragua settled into self-sufficient agrarian economy that was ruled by the Conservative Party. The period was short lived because of pressures from the Liberal Party that sought outside assistance to gain control of the government.

In 1850, without consultation with the Nicaraguan government, the United States and Great Britain entered into the Clayton-Bulwer Treaty that mutually guaranteed each power that the other would not begin a canal project in Nicaragua without prior consultation and guarantees of passage. Some in the United States saw the treaty as a reversal of the central tenet of the Monroe Doctrine of U.S. hegemony in the hemisphere. In a larger sense it reflected the attitude of the United States and Great Britain about the sovereignty of Nicaragua, and reflected poorly on the Liberal Party's motives.

From the optic of Nicaraguan attitudes about the United States, perhaps the most onerous period in Nicaragua's history is the William Walker period just before the U.S. Civil War. Notably, there is a prominent and well maintained plaque on the central square of Granada that commemorates Walker's defeat in that city. Also, in Cartago, Costa Rica there is a statue of Walker being run out of Central America at the bayonet points of Costa Rican soldiers. These reminders of U.S. interventionism are not lost on the modern populations of Nicaragua and Costa Rica.

Walker's and his United States sponsors' interests in Nicaragua were dismissive of Nicaragua as a state and its people. Their primary focus was on a political

and military takeover to annex Nicaragua as a slave state for southern interests.¹⁰ Walker's efforts were largely underwritten by United States southern state wealthy businessmen mostly in Louisiana where Walker had been a writer and editor for a New Orleans newspaper.

In 1855, with the promise of generous land grants, Walker was invited by the Liberals in León to join in the fight against the conservative forces based in Granada. The Liberals did not expect to lose control to Walker, and that Walker would convert his military success into the presidency of the Republic.¹¹ Walker's ultimate miscalculation that led to his being run out of Nicaragua was the degree of determination of Commodore Vanderbilt to remove Walker when after Walker confiscated Vanderbilt's profitable Accessory Transit Company. Vanderbilt had made a fortune transporting "49ers" from the east to west coasts of Nicaragua, and losing control of the company was no small matter to Vanderbilt.¹² It is interesting that both Walker and Vanderbilt had economic not political ambition, but political tools (in this case the use of military force) was their primary implement.

¹⁰Walker was a Tennessee-born, French-trained medical doctor turned journalist and filibusterer (in the old meaning) who became infatuated with the South's cause just before the U.S. Civil War. His first adventures took him to Sonora, Mexico where he was badly defeated by local caudillos. His Nicaragua adventures, however, were better funded by United States southern state interests in expanding slave-based agriculture operations in Central America.

¹¹Walker also declared Nicaragua a slave state and made English its official language.

¹²While the details of Vanderbilt's efforts and his business miscalculations in maintaining control of the company are interesting, the bottom line is that Walker's confiscation of the company by nationalizing it, was more an affront to Vanderbilt than a financial loss. Vanderbilt's influence with the United States government was key in causing the removal of Walker.

Likewise, Walker miscalculated that Costa Rica would not declare war on him which it did in March 1856. The first time Walker was ejected was with the help of the U.S. Navy in May 1857;¹³ however, it was not until four more expeditions that he was finally captured by a British force and turned over to Honduras where he was executed by firing squad.¹⁴ The pressure that was brought to bear by Commodore Vanderbilt in the name of United States' business interests served as the rationale for the U.S. Marine's actions.

The almost mythical tales of Walker's adventures are all too true, and have been the subject of several books and Hollywood productions. His filibustering adventures in Nicaragua under the sponsorship of Southern slave-state interests illustrate in some miniature model to Nicaraguans and other Central American nationalists their vulnerability to U.S. interests whether they be economic, political or strategic. The lesson serves to fuel cynicism and skepticism about motives of the United States and its allies. Such a lesson was reinforced less than a half a century later when the United States actively intervened in Nicaragua's political process.

Partly because of Walker's miscalculations and because of powerful neighboring states' conservative forces, after Walker's exit, Nicaragua was ruled by conservatives from 1857 until 1893. During this period it experienced very strong economic growth

¹³The U.S. Navy was charged by the U.S. President to remove Walker to please Vanderbilt and U.S. business interests and avoid further embarrassment.

¹⁴While not clearly recorded in history, it is apparent that the ruling Conservative Party in Honduras feared a Liberal uprising in Honduras, and had motive to reduce that threat in executing Walker.

because of the world demand for coffee and bananas. Likewise, it enjoyed substantial investment from the United States. Nicaragua's wealthy oligarchy also operated very profitable cattle ranches. Included in its natural wealth were gold deposits and valuable hardwood in Mosquitia that were exploited by large U.S. operations. In one manner or another, the exploitation by U.S. businessmen continued until the FSLN Triumph.

The forced removal of Walker meant the demise of the Liberal Party's efforts to gain control, and the Conservative Party resumed its oppressive agriculture and labor practices while flirting with the United States government and investors. In effect, the Conservative Party chose to subordinate itself to its own and outside economic interests.

In an effort to further bolster the Nicaragua coffee sector, the Conservative government passed laws that perpetuated near-slave wages for coffee producers. This was seen by the wealthy cattlemen as an unfair advantage, and it resulted in a political struggle that finally led to the installation of General José Santos Zelaya as president in 1893. Zelaya was both a Liberal and a nationalist.

By the later part of the 19th Century a canal route was seen as feasible, and its attraction to the U.S. Congress can be seen clearly in the Congressional Record of the 47th Congress' House of Representatives Committee on Foreign Affairs report to accompany House Bill 6799. The record also reflects the presumptuousness of the United States government in considering such a project without input from the Nicaraguan government of the time; rather, only considering Great Britain's interests. Notably, this was an early deviation from the central tenet of the Monroe Doctrine.

In January 1902, the House passed a bill authorizing the construction of a Nicaragua canal. Despite the fact that the House had authorized the Nicaragua project, General Zelaya's generally hostile stance and the ongoing strife between the political factions in Nicaragua played a role in the final choice that resulted in the Hay-Herrán Treaty a year later dooming the Nicaragua canal option in favor of the Panama option.

General Zelaya apparently was indifferent to the opportunity, or he had decided that the sacrifices to Nicaragua's sovereignty would not be worth it.¹⁵

At the insistence of President Theodore Roosevelt, the Panama option was taken up. The U.S. Congress' approval included a payment to Colombia of \$40 million.

Colombia was a reluctant partner but its circumstances at the time forced the "sale."¹⁶ The

¹⁵United States Congress, "Nicaragua Canal Report to Accompany H.R. 6799," House Committee on Foreign Affairs Report No. 1698, *Congressional Record*, July 21, 1882 (Washington, D.C.: U.S. Congress, 21 July 1882), 1-2. Theodore Roosevelt had pushed for a trans-isthmian canal for both economic and strategic reasons, and finally was instrumental in the 1902 choice of Panama as the site. During the conduct of the Spanish-American War in 1898, when Roosevelt was Under-secretary of the Navy in the McKinley administration, he illustrated the strategic importance of a Trans-isthmian canal citing the sixty-seven day voyage of the SS Oregon warship from San Francisco to the Caribbean as a case in point. His strategic argument was further supported by Senator Henry Cabot Lodge and Admiral Alfred Thayer Mahan, the most respected U.S. Navy tactician of the time. Roosevelt favored the Panama option in part because of his impatience with the complications of the Clayton-Bulwer Treaty and an unfriendly Nicaraguan president, Zelaya.

¹⁶Colombia was involved in a civil war at the time; it ultimately took the money. In effect, circumstances provided the conditions for the United States to set the stage for a Panama territory revolution which was engineered by Cromwell, Buneau-Varilla and Dr. Manuel Amador of Panama Province. Amador would become the first Republic of Panama President. The U.S. backed the break from Colombia by the presence of a U.S. warship in the Colón harbor on the Pacific side. On November 3rd, 1903 the Colombians managed to land 400 troops in Panama but were "encouraged" to depart because of the arrival of the U.S. warship and other factors. These included bribes to key Colombian officers as well as purposeful deceit on the part of the American-owned railroad that had promised to provide transport of the Colombian force from the Atlantic side (Colón) to the Pacific side (Panama City) which was the seat of the revolution. In effect, the United States was party

rough-shod manner in which the U.S. enforced its hegemony in the Western Hemisphere, and its willingness to back up any policy decision with military force became known as the Roosevelt Corollary to the Monroe Doctrine.

Discounting the history of William Walker's earlier interference in Nicaraguan politics, General Zelaya was the first prominent Nicaraguan who spoke out against the neocolonial hegemonic tendencies of the United States; in today's context of neoliberalism, this anti-United States bias can be easily understood. The United States and Great Britain inadvertently helped General Zelaya gain and retain power while Japan and Germany took the opportunity to spread their own influence in the region.¹⁷

to and supported the conspiracy to have its way in Panama. President Roosevelt was unapologetic. While the details of the Panama canal and all that surrounds it are not part of this study, Roosevelt's well-known comment about the Panama Canal Zone: "I took it and it is ours." reflects Latin Americans' understanding about United States attitudes toward them. While Roosevelt was criticized for that attitude and strategy, even his critics grudgingly gave him credit for the success of the Panama option. However, Latin Americans have a long memory and would easily recall the Roosevelt's attitudes and behavior as reinforcing their anti-U.S. sentiments.

¹⁷In a side note to Central American history, it is easy to understand the worry of the United States vis-a-vis European and other foreign influence in the Western Hemisphere when one considers what has happened in Panama since the passage of the Panama Canal Treaties that were ratified by the U.S. Senate. Lacking expertise and needing cash, the Panamanian government gave the People's Republic of China long-term concessions to operate the key termini at the Pacific and Caribbean sides of the canal. This effectively provides the PRC opportunity, and with motive can undertake to negate the DeConcini amendment to the Panama Canal Treaties that allows free and ready passage of U.S. warships without the prior approval of the Panamanian government. A clarification to the Treaties before they were approved by the U.S. Senate in 1978 and accepted by the Panamanian people in a national referendum, was that the United States foreswore that it would not meddle in Panama's internal affairs. No doubt, McKinley, T.R. Roosevelt and Alfred Thayer Mahan are turning over in their graves despite general agreement that it was time for the United States to abandon its hegemonic status in the Canal Zone. (Sources: Author's personal knowledge and Library of Congress. (website) *Country Studies: Panama* (a series). Available [Online]: <http://countrystudies.us/panama/19.htm> [10 November 2005].)

In an interesting development that demonstrates the continued interest in additional trans-isthmian water routes can be seen in Nicaragua today with the Nicaraguan government's concession to develop a barge route using the San Juan River as its longest link.¹⁸ The barge traffic would travel to and from Bocas del Toro, Panama which is nearest deep-sea port.

Subjugation And Dependency

Clearly, the United States and European powers did not recognize rights of sovereignty for Nicaragua or its people. The [Theodore] Roosevelt Corollary policy put teeth into the Monroe Doctrine, and further strengthened U.S. hegemonic policy; however, its other purpose was to address the weakening of the Monroe Doctrine by the Clayton-Bulwer Treaty. It can also be seen as an early signal that extra-hemispheric powers would be a factor in Nicaragua's development.

Aside from the canal issue, as the large United States corporate operations in coffee and bananas were developing, Zelaya was particularly troublesome for the *yánquis*. The central issues were sovereignty, economics and the domestic politics behind the growing wealth of Nicaraguan investors in collusion with United States firms.

Among other changes that rankled the United States and outside investors was the Zelaya government's new constitution. It contained anti-clerical provisions, limitations on

¹⁸ Gabriel Pasos (President, Ecocanal, S.A.) in discussion with author in Granada, Nicaraguan, December 2003. Even today, it could be argued that the Nicaragua option would have been cheaper, a closer route and generally faster to complete. In 2003, a Texas entrepreneur and a Nicaraguan businessman convinced the National Assembly to issue an exclusive government charter to develop a barge system along the route that would roughly replicate the original thinking. The company, Ecocanal, S.A., is a registered Nicaraguan corporation that has undertaken studies toward that end.

the foreign diplomats' rights to diplomatic immunity and abolition of the death penalty. General Zelaya pushed all of the hot buttons including encouraging Japanese and German business investment while violating the United States political sensibilities articulated in the Monroe Doctrine. Zelaya defiantly garnered the ire of powerful U.S. politicians by advertising his own imperialist goals in Central America¹⁹ and baiting the United States. He publicly offered trans-isthmian Nicaraguan canal concessions to Japan and Germany all the while criticizing U.S. interventionism in Central America.²⁰

Zelaya settled the dispute with Great Britain over its Mosquito Coast claims, and gained recognition that the eastern coast was under the sovereignty rights of the republic—albeit nominally.²¹ This action followed Zelaya's pattern of nationalism at any cost, and it later earned him accolades from the FSLN as the first Nicaraguan head of state to defy the United States. General Zelaya is seen as a hero today because he defied would-be outside forces²² and the Catholic Church that had sided with the Conservatives. While

¹⁹As late as 1908, Zelaya attempted to conquer neighboring Honduras and El Salvador through military incursions.

²⁰Merrill, 14-18.

²¹Later renamed by the FSLN, the most north-eastern Nicaraguan Mosquitia province was Zelaya Province North, and the most south-eastern province was Zelaya Province South; they were named in recognition of General Zelaya's efforts to integrate the territory into the larger state. Interestingly, 1898 marks the last year that there was a Miskito king ruling the region with British protection and some financial support which coincides with Zelaya's settlement with the British crown.

²²“United States Intervention, 1909-1933,” Federal Research Division, Library of Congress. Available [Online]: <http://www.country-data.com/cgi-bin/query/r-9211.html> [26 February 2006]. General Zelaya's defiance of the United States showed up later in the embodiment of General Augustino Sandino. He was a determined liberal military leader fighting against conservative forces in the northeast regions of Nicaragua. He defied both the United States and the newly installed Nicaraguan government by refusing to sign the Pact of Espino Negro of 20 May 1927 that had committed Liberal forces under the

simultaneously modernizing Nicaragua's transportation infrastructure, substantially increasing foreign investment and overseeing the further boom in coffee and banana production he retained the presidency for a remarkably long time. His 1893 Liberal victory is still commemorated²³ in Nicaragua today. There is some irony in Zelaya's being commemorated because his larger interests seem to have been in the corporate development of Nicaragua along the lines of the Somoza dynasty. However, what General Zelaya represents to Nicaraguans today is an entirely different matter. Today, it General Zelaya's defiance of the United States and the inevitable influence of money in politics that is admired. In effect, he simultaneously represents defiance for those who have political motives and for those who are opposed to neoliberalism in any form.

Theodore Roosevelt, a hero of the Cuban expedition during the Spanish American War, a proponent of geopolitical theory,²⁴ former Under-secretary of the U.S. Navy and

command of General José María Moncada to disarm simultaneously with the Conservative government forces. The Pact provided for the introduction of a U.S. Marine force to maintain order until the results of the planned 1928 national elections. Additional information is the general knowledge of author.

²³*Envio*, "Three celebrations and a host of scenarios," *Envio* (Managua: Universidad Centroamericana, August 2003), 2. On 11 July 2003, the Partido Liberal Constitucional (PLC - Constitutional Liberal Party) held a large celebration to make the point, in part, that the current Bolaños government's macroeconomic policies to satisfy the very outside forces that Zelaya would have opposed. It should not be overlooked either that the assembly was also intended to voice support for former President Alemán who, at that time, was jailed for corruption.

²⁴The geo-political theorists of the time included Frederick Ratzel (German), Alfred Thayer Mahan (American) and Halford MacKinder (British); Theodore Roosevelt included himself as close associate and supporter of Mahan who today is recognized as one of the foremost naval theorists of all time whose works have been studied by major military forces in the world. The geo-strategic theorists hold that control of key naval (and land) choke points and passages are essential to maintain military dominance, and by extension, any cross isthmian water route in Central America (a canal) was critical. This theory ultimately played out with the nearly simultaneous opening of the Panama Canal

Chief of Police in New York City, and Vice-president under President McKinley became the President of the United States in 1901.²⁵ In view of the Monroe Doctrine and the U.S. policy of unquestioning support for U.S. business in Latin America, Roosevelt was predisposed to remove Zelaya as quickly as feasible.²⁶ His actions toward that goal were purposeful and determined.

In 1909, the United Fruit Company purposely depressed the wholesale price of bananas by about one third. United Fruit owned the steamship line concession home ported in Bluefields in Mosquitia previously awarded by Zelaya. Its operations at the time were largely as middleman. United Fruit bought Nicaraguan bananas from independent American operations; those products were then shipped by United Fruit's Bluefields' Steamship Company to market. The intended effect of the price reduction was to raise anti-Zelaya political pressures to help him make his decision to resign. This and others factors including United Fruit Company's monopolistic practices in Central America and the Caribbean earned it the regional nickname "pulpo."²⁷

and the outbreak of World War I in September 1914 and also saw the untimely death of Mahan.

²⁵See Appendix VIII. Nicaraguan poet Rubén Darío depicts Theodore Roosevelt in "To Roosevelt" as all that embodies the good and evil of the United States.

²⁶Not forgotten, certainly, to Latin Americans was the fact that the United States had run Spain out of the hemisphere in 1898; Theodore Roosevelt was the hero of the Spanish-American War. In effect, he became the caudillo of the hemisphere. Roosevelt's attitude and actions were seen as one of an avuncular relative who would not hesitate to punish any lesser state if it got out of line.

²⁷K.C. Tessendorf, *Uncle Sam in Nicaragua* (New York: Atheneum, 1987), 74. (*Pulpo* is octopus in English.)

Zelaya had overestimated his own strength, and underestimated the outside view of Nicaragua's strategic, and economic value. General Zelaya's forced resignation came in December 1909, but not before, over the objections of the U.S. Ambassador, his army executed two U.S. mercenaries serving with the Conservative rebel forces. They were caught trying to blow up Nicaraguan government troop ships headed southeast on the San Juan River bound for Bluefields to put down the Conservative uprising there. Zelaya's ill-advised actions, flirtations with Germany and Japan, and his anti-U.S. pronouncements were sufficient to assure his ultimate downfall. Zelaya was seen as a threat to be removed, and he was.²⁸

Tessendorf, in his *Uncle Sam in Nicaragua*,²⁹ quotes Theodore Roosevelt's biographer and historical commentator Wilfrid Callcott as imagining what Roosevelt would have said about the U.S. relationship with Latin America—an attitude keenly understood but poorly digested by Latin Americans: “These are our younger brothers. When they need spanking we expect to do the job, and incidently when we think it

²⁸In the 1970s and later, Zelaya's strong positions served the anti-U.S. political sentiment in Nicaragua well, but its immediate effect was to bring his own downfall with the arrival of a conservative rebellion that included the U.S. Marine Corps in support. The conservatives enjoyed British financial support intended to protect British interests in the Mosquitia region. There is an easy parallel to be drawn between the conservatives willingness to give concessions to outside forces and the pro-neoliberal policies of the Bolaños administration. Zelaya's legacy is that he rekindled the open military conflict between the liberals and conservatives, provided an opening for U.S. military occupation and direct involvement in political affairs, and formulated a model of defiance of the United States.

²⁹Tessendorf.

advisable we shall take charge of their spending money, and maybe certain other choice possessions in the meantime.”³⁰

When Zelaya resigned, the United States intervened quickly. It dictated the terms of the cooperation of the Conservatives by promising support to Miguel Estrada on the condition that Nicaragua’s constituent National Assembly write a new constitution³¹ removing the onerous parts of Zelaya’s Liberal constitution.³²

When President Taft took office in 1909. He embarked on a new strategy that was more corporate in approach with the hope that he could both increase business with Nicaragua, and reduce the expenses and need for ever-present U.S. Marines on the scene. Taft’s Secretary of State, Philander C. Knox,³³ who was a corporation lawyer and overseas investor, was the architect of “dollar diplomacy.” The United States was enjoying an economic boom and the government had a fat treasury. Dollar Diplomacy strategy was straightforward. For the commitment of exclusive rights (nearly on a sovereign level) to do business in the chosen state, “The United States would pay off debts

³⁰Ibid., 72. While Roosevelt’s policies and strategy worked in most of the Americas, Zelaya would have none of it. It is for this reason that his revolution is celebrated by the liberals in Nicaragua today. President Zelaya defied Washington’s wishes and he is recognized for that as much as his own tyrannical and imperialist behavior fades.

³¹The constitution that was produced was written almost in its entirety by a Yale University professor who had been “recommended” to the new government by the United States.

³²Ironically, Zelaya settled in New York City in a very small apartment where he died with little recognition of who he was or how he had defied the United States.

³³Knox was best known at the time as the corporate lawyer who organized the U.S. Steel conglomerate.

with dollars and pump in new American money, with the U.S. overseeing the debtor nation's revenue sources to ensure repayment (and make money for the U.S. investors)."³⁴

Dollar diplomacy was one of the earliest of a series of proactive United States government economic policies in Latin America. Dollar Diplomacy represented the first example of a very purposeful change in direction from the reactive policies of using the U.S. Marines as tools of diplomacy or the threat of their use for the same purpose in concert with President Theodore Roosevelt's "big stick." In some sense, T.R. Roosevelt embodied the "Eagle to the North" that at the time was seen as pro-Latin America patrón rather than an aggressive superpower.³⁵

Such United States' policy resides in the memories of many Nicaraguans. Today those memories serve to fuel resistance and suspicion of any neoliberal programs that are thrust upon Nicaragua.

President Taft's speech in which he proposed to "substitute dollars for bullets"³⁶ served as the central piece of his foreign policy with Nicaragua and the rest of Latin America. It should not be overlooked that Knox, himself an investor in Nicaragua in the La Luz gold mine, suffered at the hands of Zelaya when Zelaya canceled the La Luz concession in 1908. There was no love lost and Knox (with Taft's approval) intended to remake Nicaragua along the model of the U.S.-imposed franchisees in the Dominican Republic and Cuba.

³⁴Ibid., 73.

³⁵Dollar diplomacy was a strategy that was designed to create monopolistic economic relationships in Latin America for the benefit of U.S. banker investors and businessmen; in Marxist rhetoric this defines the term neocolonialism.

³⁶Ibid.

Until Taft's administration, the United States had engaged in a sort of big brother role that often meant dictating terms to Latin American states and using the military to assert U.S. hegemony in the Western Hemisphere.

As an extension of Dollar Diplomacy and with the purpose of pumping yet more money into Nicaragua, Nicaragua and the United States entered into the Bryan-Chamorro Treaty that for three million dollars in payment gave the U.S. a 99-year exclusive concession to build a canal in Nicaragua. At that point, the Panama Canal was already in operation for nearly two years carrying out its strategic role in supporting allied forces in World War I.

Dollar Diplomacy and President Taft may seem obscure historical notations, but that period in Latin America was an entirely different matter. Noting that Zelaya and his revolution is still celebrated, it is clear that attitudes of the United State—viewed as the greedy and pushy *yanquí* to the north—are still in the minds of Nicaraguans. It is the anti-American sentiment so sharply reflected in Pablo Neruda's poem.

Dollar Diplomacy was the order of the day in Nicaragua.³⁷ The United States engineered and supported the successful revolution of the Conservatives in 1909, and took effective control of the Nicaragua. Dollar diplomacy had the intended effect in Nicaragua with the United States underwriting the Nicaraguan state treasury; U.S. foreign investment flowed in with the U.S. Marines as guarantor. It was "safe" because the United States supervised the Nicaraguan customs houses, and allowed bankers to take over the national

³⁷The importance of the economic value of Nicaragua can be easily illustrated by the eagerness of the United States to intervene in Nicaraguan affairs in 1912. While such action can be seen as an extension of manifest destiny, there is little connection to the basic tenets of the Monroe Doctrine because no foreign powers were involved.

bank and the railroad. The country was tagged “The Brown Brothers’ Republic” in a play on the “brown-skinned natives” with the name of the principle U.S. banking house, Brown Brothers.³⁸

Within a year, the new Nicaraguan National Assembly was persuaded by Minister of War, General Luis Mena, to name him president upon the expiration of President Diaz’ term in 1913. The United States balked, refusing to accept the Assembly’s decision to violate the spirit and letter of the new constitution that was intended to put an end to the Liberal-Conservative acrimony. Mena rebelled against Diaz, and Liberal General Benjamin Zelaydón responded to Mena’s call for military support.

Diaz requested military assistance from the United States to maintain the order that it had already engineered in theory. In support of Diaz, the United States landed a force of 2,700 U.S. Marines at the Caribbean ports of Corinto and Bluefields on the Mosquito Coast. The upshot was that Zelaydón was killed, and Mena licked his wounds outside of Nicaragua. The significance of these events over the long term is that Nicaragua has a permanent expectation that the United States will intervene at will, and such expectations condition the domestic responses to the neoliberal agenda.

The United States government found itself compelled to prop up shaky governments if just for the purpose of maintaining economic stability. In 1913, a contingent of 500 U.S. Marines were sent to Nicaragua to back up the same Conservatives that it had helped in 1909 to win their revolution from their base in Bluefields. In 1913, it was an impatient Conservative general, Luis Mena, who sought to overthrow conservative President Adolfo Diaz. By the time the U.S. Marine mission was

³⁸Ibid., 78.

over, over 1,000 Nicaraguans (Liberals and Conservatives) were dead, but civil authority was secured. Six U.S. Marines were killed.³⁹

In 1913, national elections were held in Nicaragua under the de facto supervision of the U.S. Government. Following the election of conservative Adolfo Diaz,⁴⁰ the United States pressured the new government into signing the Castillo-Knox Treaty in 1914 which gave the United States perpetual rights to intervene militarily in Nicaragua along with exclusive concession to the coveted canal route.⁴¹ However, neither the United States nor Nicaragua ratified the treaty. After removal of the provision that allowed United States intervention, the second iteration of the treaty, known as the Bryan-Chamorro Treaty, was signed and ratified in 1916. The central purpose of the Bryan-Chamorro treaty was to negate the agreements that the Zelaya government had entered into with the Japanese and Germans. Clearly illustrated were United States' motives in using Nicaragua as a strategic pawn to assure a contingency canal route all the while having access to its considerable agricultural potential.⁴²

³⁹This theme has played out repeatedly since that time in the context of the north-south theory both with reference to economics, politics and strategic interests. It was the Somoza dynasty that took control of and understood these external factors and brought long-term stability to Nicaragua for 34 years; the FSLN either chose to ignore those factors or did not feel the need to address them given the support of Cuba and the Soviet Union until 1990.

⁴⁰The liberals did not participate.

⁴¹The Panama canal was completed and in operation just at the outset of World War I in September 1914.

⁴²The sentiment matured sufficiently to facilitate the victory of the Marxist FSLN, and today is what in part explains the cynical opposition to President Enrique Bolaños. Bolaños detractors accuse him of blindly leading Nicaragua down the neoliberal path once again kowtowing to the United States and its friends. While this may seem an exaggeration on the surface, it has sufficient legs to impede Bolaños' agenda.

Anti-U.S. sentiment in Latin America was growing then as now, and by 1925 the U.S. Government sought an escape from the dilemma it had created. The United States, in its efforts to re-establish a modicum of democracy in Nicaragua and settle the perpetual disputes between the liberals and conservatives, sent Colonel Henry Stimson⁴³ to Nicaragua in 1927 by President Coolidge to find a permanent solution. During the period of Stimson's work, Anastasio Somoza García, an ambitious GN officer, managed to ingratiate himself with both Stimson while he served as Stimson's translator. The United States Marines had already re-organized the Nicaraguan Army into a powerful and efficient GN, and Somoza's quick rise to power within the GN was, in part, the doing of the U.S. Government and Stimson.

Stimson was sent to Nicaragua as a sort of ultimatum to Nicaraguan combatant parties. In a famous meeting in the countryside along the Tipitapa River, Stimson laid down the conditions of an accord: "The present (Conservative Party) regime must survive. U.S. Marines would completely disarm both armies [Liberal and Conservative]; thereby stopping the war, and The United States promised to oversee and enforce a completely fair election in 1928. . . . Presidential candidates, Conservative and Liberal, were invited and would campaign freely."⁴⁴

The announced purpose of the U.S. Marine contingent in Nicaragua that arrived in late 1926 and 1927 was to protect American lives and property. The real motives were more complex, and included protection of American business interests to assure that there

⁴³Later U.S. Secretary of State and Secretary of War.

⁴⁴Ibid., 85.

would be no Bolshevik influence in Nicaraguan politics.⁴⁵ The United States had been supporting the Conservative party while agreeing, somewhat reluctantly to the results of a U.S.-supervised election in 1924 after which an unstable Liberal/ Conservative government was installed.

The U.S. Marines left Nicaragua on 3 August 1925 secure in the belief that there would be no need for further intervention. True to form, that government could not meet the challenge of losing candidate Conservative General Emiliano Chamorro Vargas. Chamorro and his supporters viewed newly installed President Carlos Solorzano (also a Conservative) as weak and ineffective. In an almost Hollywood-like scenario, on 28 August 1925, the brother of General Alfredo Rivas (a Conservative and supporter of Chamorro) broke into a high-level cocktail party in Managua that was attended by the U.S. Ambassador and President Solorzano (who had just previously departed the event), and by threat of arms and firing of weapons took hostage the Liberal cabinet members in attendance. The Liberal cabinet members represented the coalition compromise, i.e., a Conservative president with a Liberal cabinet.⁴⁶

Liberal Vice President Juan Bautista Sacasa left the country, and within days General Chamorro secured the resignation of Solorzano but not before Solorzano saw fit

⁴⁵It is easily forgotten that the Bolshevik Revolution represented a political threat to the United States at that time even though at the time it not well understood. Hence the spread of the revolution to the Western Hemisphere was unwelcome by the United States Government.

⁴⁶Emerging from the event was the fable-like recounting that the Liberal cabinet members before being hauled off to prison at La Loma clung to the coattails of U.S. Ambassador Eberhardt seeking his protection. La Loma is the underground hillside

location on the outskirts of Managua from which President Anastasio Somoza Debayle directed his military in his last days in office in June and July 1979.

to fire the Liberal cabinet that had been imprisoned thus providing the excuse to release them from La Loma.⁴⁷ Chamorro then appointed himself the new vice president.

In a later development, Liberal Vice President Sacasa fled to the United States where he attempted to secure the favor of the U.S. Government. He was rebuffed by the U.S. State Department because the U.S. had a general distrust of Liberals.⁴⁸ Sacasa went on to Mexico where he was able to organize an army that he first staged in relatively inaccessible northeastern Nicaragua.

The United States' concern that Sacasa was supported by Bolsheviks was based in part on the recent Mexican Revolution in which Mexican nationalists who were somewhat socialist in behavior had gained power to the consternation of U.S. business interests there.

The increasing success of Sacasa's Liberal forces against the weak Chamorro army precipitated the decision to return the U.S. Marine force to Nicaragua. In late 1926 with the mission to establish so-called neutral zone—the real intent was to neutralize the Liberal army to allow the Conservative military forces to regain presence and authority. Chamorro by that time had resigned the presidency in favor of the Nicaraguan ambassadorship in Washington, and Conservative Adolfo Diaz once again assumed the presidency with U.S. approbation. It was Diaz who emerged as president following the U.S.-backed rebellion in

⁴⁷La Loma, a hillside facility used by Anastasio Somoza Debayle as a military redoubt during his last days in Nicaragua today is the site of a park that commemorates

the downfall of the Somoza dynasty and the heroics of General Sandino. Its proximity to Managua's largest hotel and shopping complex is remarkable.

⁴⁸Some parallel can be drawn with the early overtures of Fidel Castro to the U.S. Government in late 1959 seeking support to remove Fulencio Batista. Castro was rebuffed for much the same reason. Another opportunity lost?

Bluefields against Zelaya in 1911, and it was Diaz who was supported by the U.S. Marines when Conservative General Mena attempted to overthrow Diaz. Mena later surrendered to U.S. Marine Corps Major Smedley Butler⁴⁹ in Grenada.

While the detail above may seem tedious, it is but a very brief recounting of the interference of the United States Government's in Nicaraguan politics. Not all the blame should be placed on the United States, however, because it was often the very Nicaraguan politicians who had no real legitimacy who invited U.S. Government intervention. The history of such involvement, is a vital piece of the puzzle to understand how domestic independent variables might behave today in light of the newest form of outside pressures from the United States. As before, some in Nicaragua would invite United States and its north state partners participation to find a solution to the current economic crisis. At the same time, those with long memories might hesitate.

Anastasio Somoza García emerged against this tumultuous political background. He saw his enemies as any anti-U.S. element including the residual of the liberal opposition led by Sandino. As Stimpson's aide and translator, Somoza was in a position to lever his influence into a position of greater power in the GN and take credit. At least indirectly, Somoza took credit for Stimpson's successful negotiation in convincing General Moncada to stand down the Liberal army in exchange for the promise of a U.S.-supervised national election. What the U.S. did not understand was that the single holdout General Augustino Sandino, would be able to fight on for so long and so effectively, nor would the United States understand why he retained so much support in the countryside.

⁴⁹Smedley retired as a general officer, and today has almost iconic status in the annals of U.S. Marine Corps history.

President Coolidge, confident that he had retaken control of Nicaraguan politics withdrew the U.S. Marines in early August 1925 leaving a small 100-man delegation to continue supporting the GN and protecting the Conservative president. A miscalculation by the U.S. Government and Somoza himself was the failure to understand that Sacasa's and Moncada's real motives to displace the Conservative Diaz government and assume their place as U.S. lackies who would profit from that relationship. By this time, Dollar Diplomacy was in full force with New York bankers making heavy investments, and loans in Nicaragua backed by the guarantees of the U.S. Government and the U.S. Marines.

Sandino, on the other hand, was far more motivated by his nationalistic sentiments, and strong sense of need to rectify the injustices of the Nicaraguan society and economy. In an interview given to Carleton Beals of *The Nation* in early 1928 from his stronghold near the border with Honduras,⁵⁰ Augustino Sandino made his motives clear enough:

We have taken up arms from love of our country because all other leaders have betrayed it and have sold themselves out to the foreigners or have not bent the neck in cowardice. We, in our own house, are fighting for our inalienable rights. What right have foreign troops to call us outlaws and bandits and to say that we are the aggressors? I repeat that we are in our own house. We declare that we will never live in cowardly peace under a government installed by a foreign Power (*sic*). Is this patriotism or is it not? And when the invader is vanquished, as some day he must be, my men will be content with their plots of ground, their tools, their mules, and their families.⁵¹

However, the U.S. Government had little trust in Sandino's true motives, and that position was reinforced with the knowledge that Augustino Sandino's half brother,

⁵⁰This too seems to have repeated itself with the interviews of Fidel Castro by *New York Times* correspondent Seymour Hersh from his mountain redoubts in Cuba in late 1958 and early 1959.

⁵¹*Ibid.*, 93.

Socrates Sandino,⁵² was actively seeking support for Augustino Sandino in the United States. “The Communist-backed All-American Anti-Imperialist League featured Socrates Sandino . . . at mass rallies in New York City. They picketed at the White House, bearing signs like WALL STREET AND NOT SANDINO IS THE REAL BANDIT [upper case original]. Police arrested one hundred seven protestors at that time. The League also issued “Sandino stamps” to paste on letters in addition to U.S. postage.”⁵³

The United States’ government also felt the pressure from other groups including the Quakers who sent a telegram to President Coolidge condemning U.S. actions to remove Sandino. “Irrespective of whether you think that Sandino is a bandit or a patriot . . . it is undeniable that he is a Nicaraguan fighting on his own soil. . . . The United States will not make peace by shedding Nicaraguan blood. Do not exterminate Sandino.”⁵⁴ Despite the U.S. Marine Corps’ best effort, Sandino managed to elude them, but the Marines were able to supervise a national election without interference.

General Moncada, a Liberal, won that election, and in 1929 Sandino spent most of his time in Mexico trying to capitalize on his fame and regroup his forces. However, the U.S.-Mexican relations had improved to the point where the U.S. was able to persuade the Mexican government to force his move from Mexico City to Mérida in the Yucatán. By 1930, Sandino had returned to guerilla warfare in Nicaragua along the rough Honduran border.

⁵²Socrates Sandino was killed with his half brother in the Anastasio Somoza García-engineered ambush that made Augustino Sandino a popular martyr and namesake of the FSLN.

⁵³Ibid..

⁵⁴Ibid.

In part, it was Sandino's successes that drove the U.S. to further strengthen the GN—the same GN whose military head was Anastasio Somoza Garcia by 1933. The confidence that the U.S. had in Somoza in conjunction with flagging U.S. enthusiasm due to the Great Depression, began to build the rationale for the U.S. pullout of the U.S. Marines in January 1933. It was Henry Stimson as Secretary of State, still bellicose in his attitudes toward Nicaraguan revolutionaries, who made the recommendation to President Hoover that Sacasa run.

President-elect Sacasa selected Somoza Garcia⁵⁵ as the first Nicaraguan commander of the GN; to that point it had been under the direct supervision of the U.S. Marine Corps until they departed in January 1933. Apparently, Sacasa saw his selection of Somoza, of whom the United States had a high opinion, as a signal to the U.S. Government that the GN would remain a professional force. Also, Sacasa probably saw Somoza as a compromise candidate who would be compliant to his wishes. However, Somoza wasted no time in consolidating his power that ultimately included the control of all security, intelligence and police functions.⁵⁶

Sacasa appealed to the newly posted U.S. ambassador Arthur Lane for a guarantee of U.S. protection to serve out his presidency until the next election in 1936. Lane, under

⁵⁵Sacasa was Somoza Garcia's uncle.

⁵⁶Merrill, 196. Somoza's control of those functions stayed in the family until the departure of his son, Somoza Debayle, on July 17, 1979. Chronology of Somoza family control: Somoza Garcia (direct or indirect control) 1933-1956; Luis Somoza Debayle (direct and indirect control) 1956-1957; Anastasio Somoza Debayle (direct control of the GN) 1956-1967; and Anastasio Somoza Debayle (indirect and direct control) 1967-1979. When he assumed the presidency in 1956, Luis Somoza Debayle appointed his brother, Anastasio Somoza Debayle, as the head of the GN. (See glossary for more complete information.)

orders from Washington not to interfere or offer such assistance, demurred. Lane left Sacasa at the mercy of Somoza, a U.S. favorite.

Sandino saw the handwriting on the wall, and from his newly awarded agricultural compound,⁵⁷ Sandino launched verbal attacks against Somoza and the GN as unconstitutional and no more than lackies of the U.S. Government. Sacasa chose to side with Sandino, ordered the GN from the areas that Sandino controlled, did not carry out the second phase of disarmament of the Sandino army, and thus polarized the situation.

Somoza wasted no time, and informed both Sacasa and Ambassador Lane they could not hold him responsible for what the GN might do to defend its authority and honor. Sandino's blunder was that he believed that despite Somoza's bluster, Sacasa was in control. To further his alliance with Sacasa, Sandino made a number of unescorted trips to Managua to confer. Despite Somoza's overtures to Ambassador Lane that he could easily rid Nicaragua of Sandino, Lane explicitly compelled Somoza to take no such action unless he first consulted with Lane. It was an empty commitment made by Somoza. On 21 February 1934, following a dinner party with President Sacasa, Sandino and his party's car was stopped at a GN roadblock. Sandino, his brother Socrates and his military aides were taken to the airport and shot; Sandino's father and a Sacasa cabinet official were put into prison.

Ambassador Lane, enraged, immediately found the ambush site and then drove to the GN prison where he challenged the GN officer-in-charge. Lane was not successful in having Sandino's father and the cabinet official released. President Sacasa, who was

⁵⁷The agricultural compound was given to Sandino as a political compromise where he would run a communal farming operation with his disarmed former military forces. Its location was well to the north, strategically located far away from Managua.

motivated by his concern for the safety of the ambassador, begged Lane to come to the Presidential Palace which he did.

From there, Lane tried to locate Somoza by telephone; however, Somoza could not be located. Lane then drove to Somoza's residence where he found Somoza claiming that he had just returned from a poetry recital. However, he did admit that he was aware that Sandino's father and the cabinet official were incarcerated in a GN prison adding that he could not be responsible for them. Lane drove to the prison, and by force of will alone caused the two to be released.

On the murder of Sandino, the GN undertook a brutal campaign to exterminate the remaining Sandino military forces in the northeast. General Moncada voiced approval of the killing of Sandino, and Somoza insinuated that it was carried out with the approval of Ambassador Lane. Such history still lingers in the minds of those in Nicaragua who see the United States complicity in the murder of Sandino.

By this point, the U.S. Government had enough of Nicaraguan political intrigue, and was more focused on the domestic Great Depression problems at hand. Franklin D. Roosevelt embarked on the "Good Neighbor" policy as a new direction in relations with Latin America. Roosevelt's government would not approve of yet another coup in Nicaragua, and Somoza understood that well.

In early 1936 after a decent interval and clever maneuvering, Somoza finally deposed of Sacasa by staging anti-government riots which the GN refused to put down. Somoza, to put himself in a more innocent looking position, resigned from the GN. Sacasa and his vice-president both also resigned, and the Nicaraguan legislature appointed a new president of Somoza's choice with himself in the background. Sandino became an

international mythical hero, and Somoza became the next Nicaraguan president in the fall 1936 elections.

Somoza had cleverly provided the political cover that Washington required, and set out to ingratiate himself with the United States. After his election, Somoza resigned the presidency, and immediately afterward had the Nicaraguan constitution rewritten to include eight-year presidential terms. He ran again in a sham election winning 99 percent of the votes.

The Great Depression, in combination with the high-handed U.S. interventionism throughout Latin America including Nicaragua, engendered criticism from the international community as well as from nearly all Latin Americans. President Roosevelt took early steps to rectify the situation. At that time, neighboring El Salvador had its own Bolshevik revolution. With rise of the Communist Party and violent strike actions what resulted was some land distribution and some displacement of the traditional controlling oligarchy.

President Roosevelt, in a speech made at Chautaugua, New York on 14 August 1934 elaborated on the rationale for the Good Neighbor Policy:

Long before I returned to Washington as President of the United States, I made up my mind that, pending what might be called a more opportune moment on other continents, the United States could best serve the cause of peaceful humanity by setting an example. That was why on the 4th of March 1933, I made the following declaration: "In the field of world policy, I would dedicate this nation to the policy of the good neighbor—the neighbor who resolutely respects himself and, because he does so, respects the rights of others—the neighbor who respects his obligations and respects the sanctity of his agreements in and with a world of neighbors." This dedication represents my response; but it represents more than a purpose, for it stands for a practice. To a measurable degree it has succeeded; the whole world now knows that the United States cherishes no predatory ambitions. We are strong; but less powerful nations know that they need not fear our strength. We seek no conquest; we stand for peace. . . . The American republics to the south of

us have been ready always to cooperate with the United States on a basis of equality and mutual respect, but before we inaugurated the good-neighbor policy there was among them resentment and fear because of certain administrations in Washington has slighted their national pride and their sovereign rights. In pursuance of the good-neighbor policy, and because in my younger days I had learned many lessons in the hard school of experience, I stated that the United States was opposed definitely to armed intervention. We have negotiated the Pan American Union (predecessor to the Organization of American States) embodying the principle of nonintervention. We have abandoned the Platt Amendment . . . (and) withdrawn from Haiti. We have signed a new treaty . . . with Panama. . . . To give substance to this determination a conference will meet on Dec. 1, 1936 at the capital of Argentina, and it is, I know, the hope of all chiefs of state of the Americas that this will result in measures which will banish wars forever from this vast portion of the earth.⁵⁸

The altruism of Roosevelt, and the intention of his administration were no doubt genuine, but the realities of Latin American politics, and the example of the rough-shod manner of the United States prior to Good Neighbor Policy lingered. The prospect for a catholic understanding of the good will of Washington was not promising.

Somoza Garcia understood U.S. politics very well, and used that understanding to engrandise himself with the United States. In 1936 Somoza took care to rename the longest avenue in Managua "Roosevelt Avenue,"⁵⁹ praised Roosevelt for his overtures to Hitler and Mussolini to maintain peace in Europe, expelled known Nazis convicted of crimes in Nicaragua, and announced Nicaraguan postage stamps featuring Will Rogers.⁶⁰

Somoza's tactics paid off. In May 1939, he, and his wife were hosted by President and Mrs. Roosevelt in an official visit to Washington. On arrival in Washington by special

⁵⁸Franklin D. Roosevelt: The Good Neighbor Policy. Available [Online]:<http://www.search.eb.com/elections/pri/Q00120.html> [10 November 2005].

⁵⁹The name remained until the FSLN Triumph in July 1979.

⁶⁰Tessendorf, 118. The issuance of postage stamps that pandered to U.S. interests, and others was continued by Somoza Debayle. An example would be the postage stamp in commemoration of the Boy Scouts.

train from New Orleans, Somoza and his wife were met by the President, his wife; the Vice-president, his wife; a number of Roosevelt's cabinet members; and the Chief Justice of the Supreme Court. The military review accorded to Somoza from an open car included fifteen tanks preceding the official party, five thousand uniformed servicemen, and an overflight of ten new-model B-17 bombers.⁶¹ Somoza's visit preceded the official visit of the King and Queen of England which further gilded the lily. Somoza was the embodiment of the best of the Good Neighbor policy. "[T]here were qualifiers. . . . The Americans tried to stress that Somoza's welcome was representative of sentiments due *all* of the 'Good Neighbor' nations to the south. Nonetheless, Somoza returned south as the blue-ribbon Latin American leader, and Tacho never allowed them to forget it."⁶²

The goodwill, and actions of the United States, while meant for all of Latin America, had the unintended consequence of a United States *imprimatur* on Somoza's fascist dictatorship, and others like it. In any case, Roosevelt was not naive, and his famous "He is a son of a bitch, but he's ours." reflects that. Somoza wasted no time in returning the favor of FDR's support to cement the relationship, and his own ego. "I consider every Nicaraguan aviator, and soldier as a potential fighting man for the United States.' And when Pearl Harbor dashed the United States into World War II, Nicaragua followed immediately, with the U.S. grateful for Tacho's avid support when Nazi submarines prowled the Caribbean in 1942."⁶³

⁶¹Ibid.

⁶²Ibid., 119.

⁶³Ibid. Somoza García ("Tacho") repeated the favor in 1954 in providing a covert base of operations for the CIA in his successful plan to displace democratically elected Guatemala President Jacobo Arbenz who was viewed as too communist for comfort.

Somoza well understood that the non-intervention policy of the United States gave him political space to manipulate the Nicaraguan political landscape for best effect. He was confident in his hold on power, and allowed domestic opposition press to criticize his regime, the rise of the Nicaraguan communist party (Partido Socialista Nicaragüense - PSN) and communist-inspired labor movements. Internally, the game rules were well understood that Somoza would crack down if and when necessary.

At the conclusion of World War II, Somoza made the transition from anti-Nazi to anti-Soviet handily, and without much fanfare but always in vocal support of United States policy.⁶⁴ Anastasio Somoza García's well-known declaration that "My enemies are yours too."⁶⁵ was more than just a gesture; in return, he expected unwavering support from the United States government which he generally received until the Carter administration challenged Anastasio Somoza Debayle's human rights' record and stopped military assistance.

Somoza García's second son, Anastasio Somoza Debayle, again repeated the favor by providing bases of operations, and support for the CIA's failed Bay of Pigs fiasco. Tacho is a shortened affectionate nickname for Anastasio. In turn, Anastasio Somoza García, Anastasio Somoza Debayle, and Anastasio Debayle III were known by this nickname. While living, the father would be known as Tacho while the son would be known as Tachito (little Tacho).

⁶⁴Tacho had spent part of his youth in Philadelphia where he learned American humor, and mannerisms. Thus, it was easy for him to charm Americans whether businessmen or government officials. Also, Tachito, his son, attended three years at West Point where he learned a great deal about U.S. military policy. Tachito's son also attended West Point but was expelled in a cheating scandal; it was Tachito's son as a GN officer who was implicated in the murder of Pedro Chamorro, owner, and editor of *La Prensa*. *La Prensa* was the primary opposition newspaper during the last years of Tachito's reign. To avoid confusion, Anastasio Somoza García is referred to as Tacho while his son, Anastasio Somoza Debayle is referred to as Tachito; in fact, when Tacho died in 1956 most in Nicaragua referred to Tachito as Tacho II instead.

⁶⁵Tessendorf, 123.

When caught in despotic policies and actions, Somoza Garcia always demurred, but he nearly lost the support of the U.S. Government when in 1948, he removed the elected (puppet) Nicaraguan president as mentally incapacitated. The president had criticized Somoza and Somoza's role in the GN, and tried to reorganize the GN. Somoza replaced that president with another puppet, and Truman saw no humor in it withholding recognition of the new government for several months.

Somoza understood the American collective political persona very well, and he was usually able to push that understanding to the limits; however, his son, Tachito, was not as skilled, and instead relied on his unwavering obsequious pro-U.S., anti-Soviet stance.⁶⁶

Nicaragua, as a source of primary war materials, and foodstuffs during World War II, began to meet its promise of as a prosperous economy. Powerful Nicaraguan businessmen had invested heavily in cotton production which had by that time outstripped coffee as the main crop export.⁶⁷ Cotton remained a primary export until the mid-1950s when the international market demand forced a shift to concentration on other crops.⁶⁸

The United States took on a more subtle role as a neocolonial power that was no less exploitative than the former colonial model of the Spanish. The neocolonial model was developed from eagerness of United States investors who saw the region as a very

⁶⁶Anastasio Somoza Garcia was educated in a prestigious Philadelphia private school and his wife was an American. Also, his son Anastasio Somoza Debayle attended West Point and his son, Anastasio Somoza II also attended West Point before his expulsion for cheating.

⁶⁷Today, Nicaragua's primary exports are coffee, sugar, shrimp, lobster and gold.

⁶⁸An example of the wide variety of materials was the hardwood that was harvested from Mosquitia that served as planking on the PT boats for the U.S. Navy.

appealing business opportunity. In Marxist lexicon, the development of that relationship is couched in terms of dependency theory that holds, in effect, that commodity producing states will be at the whim and mercy of the most powerful in the system. From the mid-19th Century, the United States developed Latin American foreign policy around the position that U.S. business had an inherent right to operate in Latin America, and that such activity was entitled to United States political cover and military protection.⁶⁹ During war time, the logic was extended to protection of vital war materiel supplies and suppliers. Nicaragua gladly contributed as its oligarchy prospered.

Nicaragua can be seen as an example of a south state in the North-South theory definition that south states produce basic commodities, and otherwise do the bidding of wealthier north states who are consumers. Certainly during Nicaragua's early days as a colony, Spain can be viewed as a north state in that context, but more specifically beginning in the mid 19th Century the United States, and Great Britain fit closer to the theory in their competition for a trans-isthmian canal route and eagerness to exploit its resources.

Nicaragua's role shifted somewhat at the outset of the Cold War because of its geostrategic position in the middle Americas. By then, the shift was made from Nicaragua as a south state supplying basic commodities to a combination role both as a strategic partner and supplier of commodities. It was with the cooperation of Luis Somoza Debayle that in 1962 the United States Central Intelligence Agency established staging air bases in Nicaragua to initiate the Bay of Pigs invasion with obsolete B-26 bombers.

⁶⁹Fernando Henrique Cardoso, and Enzo Faletto. *Dependency and Development in Latin America* (Berkeley: University of California Press, 1979). See this work contains an exhaustive discussion.

This period of history finds the United States giving unconditional support to dictator governments of Latin America despite the pro-democracy rhetoric to the contrary. The United States governments from Truman to Ford winked at the situation because Somoza Garcia (and his successor sons) was more valuable as a scoundrel in support of the United States in the Cold War than a enemy along the lines of Zelaya. The period is one of hypocrisy, and contrast.

The United States, beginning with the direction of policy formulated by the Kennedy administration, embarked on infrastructure building under the Alliance for Progress programs and the Peace Corp initiative. However, the U.S. still maintained a Cold War containment strategy that the Somoza sons were able to use to maintain their own domestic power and regional influence.

Nicaragua became a Cold War prize for the Soviet Union for its geopolitical usefulness; likewise, Nicaragua was seen by the United States as a pawn that must be controlled. In short, Nicaragua for reasons of economic exploitation, strategic position, and geopolitical usefulness was the subject of outside competition.

It was not until the end of the Cold War, and the removal of the Marxist-inspired FSLN government in Nicaragua in 1990 that Nicaragua was no longer of critical interest to any outside state except in the context of the neoliberal agenda. It no longer represented a geo-strategic advantage nor either a militarily strategic advantage to either the United States or the Soviet Union. Nicaragua then evolved into a backwater states in the terms of strategic military value from which it had benefitted during the Cold War because of the Soviet Union's interests in retaining a foothold in Nicaragua. The Nicaraguan foothold, along with Cuba and the short-lived Grenada holding under the

Marxist president Maurice Bishop essentially represented a triangle that controlled the Caribbean at least for air control if not naval control.

Sandinista Liberation Front Origins

The Sandinista National Liberation Front, taking as its namesake General Augustino César Sandino,⁷⁰ has its origins in the late 1950s, and early 1960s that sprung from the traditional semi-autonomous university settings in Nicaragua and the Cuban Revolution. During the term of Luis Somoza Debayle (1956 to 1967), the national government allowed the operation of the dissident parties and press. This gave impetus to the renewed influence of the Nicaraguan Socialist Party (Partido Socialista Nicaragüense - PSN).

Sandino's affiliation with the left, especially the Socialist and Communist parties, is not clear. However, Augustino Sandino's brother, Socrates, connection with Socialist Party in the United States raises questions. Augustino Sandino's focus was ridding Nicaragua of the U.S. forces, and what he saw as a puppet government of the United States, and this was the basis for the early movement to adopt him as their namesake.

The Cuban Revolution's victory in January 1959 was an inspiration to would-be revolutionaries in Latin America. While Castro did not immediately espouse Marxist doctrine, it was clear from the beginning that his anti-United States rhetoric put him in that camp—there was no middle ground in the Cold War. Within a month of the revolution's success, many radical and leftist students were attracted to the open invitation by Castro

⁷⁰César (Caesar) was an additional name given to Augustino Sandino as a sort of honorific title in recognition of his war against the U.S. Marines, and Nicaraguan Conservative government.

to join in the revolutionary process. A wide variety of Nicaraguan dissidents, and students traveled to Cuba; included were Pedro Joaquín Chamorro, and Adán Selva Ramírez who made up part of the so-called Revolutionary Directorate of Nicaragua.

Their loosely defined goal was to overthrow the government of Luis Somoza Debayle. Chamorro, and Selva were politically moderate. According to Selva, who met with Ché Guevara, and asked for assistance, Guevara responded,

I don't think you are capable of making a revolution in Nicaragua, and in fact I tend to think we should . . . support . . . the more progressive group. But if you are set on organizing a movement, go ahead, and do it, and if you do manage to get yourselves onto Nicaraguan territory, and liberate a piece of it, then we would be jackasses if we didn't support you. "According to Selva, the young conservatives then met with the U.S. Ambassador in Costa Rica, who promised his support as long as the expedition brought down Somoza without any bloodshed, and without calling a general strike."⁷¹

The group that the Cuban revolutionary government supported was a coalition group known as the Committee for the Liberation of Nicaragua that was made up of PSN, and the Independent Liberal Party (PLI) as well as Nicaraguan radical students who were exiled in Venezuela. That group published a call to action known as the Havana Letter whose leader was a former Nicaragua GN officer, Rafael Somarriba.

The military organization that was organized by Somarriba with the help of Guevara met with almost immediate disaster at El Chaparral, Honduras on June 24, 1959 where it was decimated by both Honduran, and Nicaraguan military forces. Among that group was Carlos Fonseca, a young leftist student from the Autonomous University of Leon.⁷² Fonseca later wrote, ". . . lessons that are

⁷¹Zimmerman, 53.

⁷²There is a long-standing tradition in Latin America that universities are autonomous both in name, and fact. While the purpose of such a tradition may be seem to be both a device to contain would-be dissidents but still provide a sanctuary for academic freedom, in fact, the tradition was often violated by the Somozas.

impossible to learn even from a thousand books or a hundred teachers [that were taught at El Chaparral].”⁷³

Fonseca would emerge as a leader of what would become the FSLN. Fonseca was particularly interested in Augustino Sandino’s successful tactics, and he studied them in great detail. It was Fonseca who persuaded the others in the leadership of the FSLN predecessor organization, the National Liberation Front⁷⁴ (FSLN) to add Sandino’s name to change it to the FSLN. Before that point the movement had a number of names that began with the core group of University students who founded it.

The failure of El Chaparral also was instrumental in Fonseca’s turning away from the PSN. Fonseca had been a PSN student leader since 1958, but was later disillusioned by its inability to foment change in Nicaragua. While a student activist at the University of Leon, he had organized the first student chapter of the PSN whose membership included Tomás Borge (an anti-Somoza Conservative Party student activist), and Silvio Mayorga (a fourth-year law student activist). It is these three who are credited with the 1961 founding of the FSLN precursor organization.

The PSN’s first and only El Chaparral operation was such a failure that it confirmed Fonseca’s decision to leave the PSN even though the PSN’s Central Committee beat him to it by expelling him for taking the “guerilla path.” Later, in correspondence from the Soviet Union, Fonseca wrote “Un Nicaragüense en Moscú” (A Nicaraguan in Moscow) in which he supported the PSN’s ideals but criticized its approaches. Even until

⁷³Ibid. 56.

⁷⁴The National Liberation Front was the name of the much-admired Algerian organization that had revolted against France in the late 1950s.

the victory of the FSLN on 19 July 1979 the PSN continued to criticize the FSLN for its guerilla tactics.

A Somoza trait—both Somoza senior (Anastasio Somoza García and his sons was impatience, and lack of finesse when pushed to their limits. Following the GN victory at El Chaparral, the GN undertook an operation in León where Luis Somoza believed the greatest threat to his government to be. On 23 July 1959, the GN attacked an anti-government protest, killed four students, killed two spectators, and wounded over one hundred others. That date gave the name to a loosely organized group of students to known as the “Generation of ‘59”; this moniker replaced an earlier one, the “Generation of ‘44” that was named for Conservative and dissident Liberal students who had suffered a similar fate.⁷⁵

The 3,000-strong student demonstration had been organized by Student Council of the National University (CUUN) in León to protest what they believed the slaughter of hundreds of Nicaraguan students at El Chaparral including Carlos Fonseca.

The excesses of the GN mobilized otherwise neutral sentiment in León; twelve thousand showed up for the funeral of the students the day after the event. The public university in León was closed until August 31st, and when it reopened it was populated with GN troops. The students and faculty later managed to convince the government to remove the GN forces before classes resumed.

Carlos Fonseca and other Nicaraguans wounded at El Chaparral were recovering from their wounds in Cuba during the July 23rd incident. It was in Cuba where Fonseca began serious study of Sandino. Fonseca developed his notion of the “path” similar to that

⁷⁵Ibid., 57.

taken by Sandino to foment revolution in Nicaragua. Also, during his recovery he began to define for himself the fundamental differences between his Cuba-revolution inspired Marxist activism, and the strategies of the PSN.⁷⁶

After his recovery, Fonseca traveled to Costa Rica where he joined other Nicaraguan dissidents. While Daniel Ortega is the leader today of the FSLN in Nicaraguan politics, most die-hard FSLN supporters see Fonseca as the founder of the party, and the origin of its anti-United States, Marxist/Socialist tendencies.

In June 1960, dissident Nicaraguans published a letter in an Havana newspaper condemning the expulsion of Cuban diplomats from Nicaragua. Among the signers were Fonseca (delegate in Costa Rica), Tomás Borge (delegate in Cuba), and Silvio Mayorga (delegate in Venezuela); none were identified as being in Nicaragua. Fonseca (still in Costa Rica), and dissident students in León organized the first anniversary protest of the July 23rd incident, and predictably the GN reacted with force killing two more who would become martyrs. Luis Somoza's decisions, and the GN's actions led by his brother Anastasio further polarized the public sentiment. Some argue that the crumbling of the Somoza dynasty began at that point in time.

The founding of the FSLN was more a gradual process than a specific event. JRN students including Fonseca, and others became increasingly frustrated with the "pacifist" path taken by the PSN, and undertook to carry out an armed revolution against the Somoza dynasty. An early manifestation of such non-pacifist strategy can be seen in the

⁷⁶The rift between the traditional communists, and the more proactive Marxists in Latin America is not unique to Nicaragua. For instance, in Panama the revolutionary Marxist student group known as La Tendencia or the faction criticizes the Panamanian Communist Party (PDP - Partido del Pueblo - Peoples' Party) for its inaction, and uses the Spanish word momios (mummies) to describe them.

September 1956 assassination of Anastasio Somoza García by a dissident poet, Rigoberto López Pérez, who had been trained by former GN members who were in exile in El Salvador. López Pérez had ties with the dissident Independent Liberal Party (PLI - Partido Liberal Independiente) that was focused on removing Somoza from power. Somoza García's older son, Luis, immediately assumed the presidency, and declared a state of siege which was enforced by his brother Anastasio Somoza Debayle, already the head of the GN. At the time of the assassination, Carlos Fonseca was still in the PSN camp, and did not praise López Pérez' action until sixteen years later when he had left the PSN, and adopted the armed revolutionary strategies of the FSLN.

In November 1960, in reaction to guerrilla strikes in the north, an uprising in the mountains near Matagalpa by dissident Conservatives, and the student protests, Luis Somoza Debayle gave recognition to the critical nature of the situation by declaring a state of siege.⁷⁷ This gave impetus to further student uprisings in protest of the government action, and affirmed the need for a split from the PSN to undertake armed revolution.

It is important to note that the earliest formulations of purpose of what would become the FSLN centered not on Marxist thought but on anti-Somoza, anti-American, pro-labor, and the urban *pro-petit bourgeois* characteristics.

Nicaragua, from its very beginnings, had a history of coup d'états and military-backed changes of government, and the disputes were largely between the Conservatives

⁷⁷A strategy first adopted by Somoza García was the establishment of alternate outlets to take the wind from the sails of dissident factions. An early example was the establishment of the Such was the purpose of the Nicaraguan government establishment of the Central American University (UCA - Universidad Centroamericana) in 1960 in Managua. The Jesuit school was headed by President Luis Somoza's uncle. The founding of UCA was severely criticized by public university students who branded the UCA as an instrument of the rich, and the Catholic Church then allied with the Somoza family.

originally based in Granada, and the Liberals based in León. The Somoza's identified themselves as Liberals but only nominally; the dynasty that endured from 1935 to 1979 was a period of relative stability but always enforced by the GN—the same force that the U.S. Marine Corps had originally organized and helped train.

The frustrations of labor were voiced only through occasional strikes and work stoppages such as those seen at the port of Corinto; however, the Somoza's always found a solution usually by force or coercion. Further, the Somoza's had always been able to meet the demands of the *petit bourgeois*, intellectuals, the Church, and other key elements of society that would have been able to weigh in on the side of anti-Somoza sentiment.

The plight of the common man whether agricultural peasant or urban working poor was not really addressed except conceptually. The FSLN provided the vehicle for the change in that situation. The FSLN's accidental strategy was to cause the Somozas to overreact, and overuse the GN as an enforcement tool rather than use political finesse. While externally the Somoza's were ardent supporters of U.S. foreign policy, domestically they behaved in an entirely despotic manner.

The style of domestic policy is defined by Georgetown University Timothy P. Wickham-Crowley of Georgetown University's Center for Latin American Studies in his *Guerrillas & Revolution in Latin America*⁷⁸ as patrimonial praetorianist or "mafiacracy." (It would seem that mafiacracy is really a misnomer because one can assume that in any fascist state, the head of state or the power behind the head of state will be able to manipulate any entity for personal gain.) In his study to find the causes of revolution in

⁷⁸Timothy P. Wickham-Crowley. *Guerillas and Revolution in Latin America, a Comparative Study of Insurgents and Regime Since 1956* (Princeton: Princeton University Press, 1992).

Latin America, Wickham-Crowley further identifies mafiocracy: “Such a regime unites personal rule over the military, and hence the state; suppression of political parties, and their competition; and individualized patrimonial dispensing of rewards, and favors, along with massive corruption.”⁷⁹

This model, among other conditions were extant for Castro to manipulate, and a close match to the regime of the Somoza family. He draws a parallel with the Cuban Revolution with regard to the mobilization of the disenfranchised middle and upper classes that joined with the Nicaraguan rural rebellion led by the FSLN. In effect, the FSLN leadership had already seen a model of success in the Cuban Revolution, and took steps to replicate it in Nicaragua. In effect, that the FSLN was able to raise the political consciousness of the general population being helped along with increasingly repressive measures of the last Somoza. In effect, as Anastasio Somoza Debayle struggled to retain power, his despotic measures backfired and played into the hands of the FSLN.

Despite the core motivations of the FSLN leadership, there developed a three-way split that nearly derailed the FSLN agenda to remove Somoza rule. The FSLN cadre⁸⁰ that developed in the early 1960s was distinctly eclectic in makeup. It consisted of Carlos Fonseca, Tomás Borge, and Silvio Mayorga (all originally from the University of León) who were Marxists; dissident Conservative Party members who had been waging a low-level war with the GN such as Edén Pastora Gómez (who later assumed the FSLN *nom d’guerre* Commander Zero); and notably two activist Catholic priests Ernesto and

⁷⁹Ibid., 158.

⁸⁰Vanguard is often used by Marxists as the term for cadre that mobilizes other segments of society.

Fernando Cardenal⁸¹ who were both brothers. This mix of leadership provided a wide appeal, and had the effect of removing the potential reluctance of some who would have been hesitant to join an all-Marxist movement.

The Catholic priests who joined created a natural split with the more conservative Catholic Church in Nicaragua headed by Cardinal Obando y Bravo. Obando y Bravo had a policy of making accommodations with the Somozas that did not change until late into the FSLN revolution when Anastasio Somoza Debayle disbanded the bi-cameral legislature and brutally cracked down on all dissidents.

By the final months of the revolution, Anastasio Somoza Debayle's actions facilitated the FSLN agenda, and broadened its appeal to nearly all segments of Nicaraguan society except those who were partners in the self-serving oligarchy.

In January 1978 in Managua, the most polarizing incident that was carried out by Somoza to put down the dissident elements was the murder of Pedro Joaquin Chamorro, owner, and editor of the opposition newspaper *La Prensa*. His murder accelerated the revolutionary process with the Nicaraguan middle and upper classes who were not a part of the Somoza family mafiocracy. This all played into the hands of the FSLN which by that time had settled on a single strategy.

Notwithstanding the blunders of Somoza who from mid-1977 forward failed to engage civil society as a whole, and focused on using the GN as a tool of repression, the FSLN leadership did not have a comprehensive, single strategy. This, in part, accounts for the failure of the FSLN to make more headway in the years from the 1960s to 1970s. In

⁸¹The Cardenal brothers were but two of three Catholic priests who would make up core of the FSLN cadre. Ernesto is a Jesuit, Fernando a Trappist, and the third priest, Miguel d'Escoto a Maryknoll.

1969, the FSLN published a manifesto known as the “Historic Program” that laid out its goals of removing Somoza, and establishing a government that would protect rights of political, economic, social and civil rights plus embark on a program of land redistribution, and a broadening of access to health services and education.

The Historic Program, adopted by the FSLN leadership in August, consisted of thirteen central tasks of the FSLN revolution; it was heavily flavored with Marxist rhetoric. Its language was focused on appeal to the peasant and worker classes.⁸²

While the FSLN gained active support from the peasant class in the north from Matagalpa to the Honduras border, it had largely failed to gain the support from the urban poor class in Managua or, more importantly, the more moderate middle and upper classes who were bystanders in the struggle.

Because of the strong FSLN identification with Marxism, the FSLN had failed to gain the support of the traditional Catholic Church, the moderates, and the potentially anti-Somoza business community.⁸³ In December 1976 Carlos Fonseca died in combat, and his unifying force disappeared with his death. If by force of personality and leadership alone, Fonseca had managed to organize the FSLN around a Leninist-Marxist orientation

⁸²Zimmerman, 124.

⁸³The business community that held considerable economic power had been vigorously represented by the COSEP (Chamber of Commerce of Private Business) that until the mid-1970s had been in the Somoza camp; however, as the FSLN gained support, and Somoza favored those who were part of his mafiocracy the COSEP, the COSEP redirected its support to the removal of Somoza. Certainly, many members of the COSEP were opposed to the Marxist elements in the FSLN leadership, but their priorities became more aligned with the FSLN’s goal of the removal of Somoza as the economy deteriorated, and Somoza lost international support. Many sources make undocumented references to the likelihood that the COSEP was supported by the Central Intelligence Agency in its opposition to the Marxist elements within the FSLN.

that emphasized guerilla tactics, and urban resistance; however, in the mid-1970s, the FSLN leadership had split into three factions.

Two of the factions favored traditional Marxist approaches to the revolution: (1) the Russian revolution model of working class revolution known as the Proletarian Tendency led by Jaime Wheelock Román, (2) the Chinese model of rural, peasant insurrection along the Maoist theory known as the Prolonged Popular War, and (3) a more pragmatic strategy known as the Insurrectional Tendency that was focused on building alliances with other anti-Somoza forces.

The Insurrectional Tendency was supported by brothers Daniel and Humberto Ortega.⁸⁴ After Fonseca's death, the third-way Insurrectional Tendency of the FSLN leadership began to move toward establishing alliances with any potential supporter within Nicaragua, and internationally. Beginning in 1976, the FSLN began to shift its focus from class warfare (peasants, and workers) to a broader "popular"⁸⁵ appeal. The United States had begun to back away from any support of Somoza, and the FSLN began to appeal to the general public as a patriotic, nationalistic organization focused on the removal of the Somoza dynasty as damaging to Nicaraguans across the spectrum.

The Group of Twelve had been organized in October 1977 by prominent businessmen and academics who opposed the Somoza regime, and sought a solution to

⁸⁴Zimmerman, 125. Carlos Fonseca's leadership had been critical to the FSLN revolution, but he had been arrested, and imprisoned a number of times by Costa Rican authorities, and both his father, and half brother, Fausto, who resided in Managua were highly critical of his affiliations, and activities. Fonseca's father was a close friend of Somoza, and Fausto who publicly urged Carlos to return to peaceful means to change the system helped Somoza retain support of the urban, middle classes.

⁸⁵In this context, communist rhetoric uses the word popular to refer to "people" at all levels without a particular focus on specific group.

the deteriorating situation. Among the group were four FSLN members including Sergio Ramirez who would later become a member of the FSLN National Directorate. In part, the Group of Twelve was trying to stem capital flight, suspension of foreign investment, and international loan refusals directed by the United States government. This initiative was well suited to the goals of the “Third Way” led by brothers Daniel and Humberto Ortega.⁸⁶

More pressure was applied by President Jimmy Carter who was pressuring Anastasio Somoza Debayle to lift the state of seize, and quit the program of news censorship. Carter conditioned military aid on Somoza’s reaction to those demands, and Somoza responded by lifting the seize in September 1977 that had been imposed in December 1974; however, the result for Somoza was negative in sum.⁸⁷ (It is interesting to note that President Carter seems to be the first U.S. President who was willing to looker deeper into Somoza’s behavior rather than accept his promises *prima facie*.

⁸⁶Putting aside the victorious march into Managua by the FSLN on 19 July 1979, the FSLN had two previously notable successes that both embarrassed, and cost Somoza power. The first occurred on 27 December 1974 when an FSLN guerilla contingent captured a number of high-level government officials at the home of a former Somoza official in Managua. The captors demands were all met by Somoza. They were (1) a one million dollar ransom, (2) release of fourteen FSLN political prisoners who were flown to Cuba, and (3) publication of a government declaration that announced the release of the prisoners. Archbishop of Managua Obando y Bravo was instrumental in negotiating the agreement. This operation cemented the strategy of armed attacks, and otherwise-criminal acts to force the Somoza government to submission. In typical fashion Somoza further stepped up military operations against the FSLN.

⁸⁷Despite the concession, President Carter later ordered the suspension of all military aid to the Somoza government in February 1978 forcing it to turn to the international market. Unquestionably, the murder of Chamorro on the streets of Managua, and the national strikes that followed helped Carter make the decision.

Anti-Somoza demonstrations resumed, and the GN, in turn, stepped up its attacks on the FSLN guerrillas. President Carter's pressure had enabled, and encouraged the FSLN propaganda machine, and the Group of Twelve gained influence in part from the perception that Somoza would fall, and that a more pluralistic approach was necessary.

After the murder of Pedro Chamorro in January 1978, the FSLN published another manifesto outlining its agenda. That manifesto downplayed its Marxist roots, and Fonseca's role in the FSLN establishment. Rather, it took advantage of the popular outpouring of anti-Somoza sentiment evinced by the 50,000 strong demonstration in the Managua that day after Chamorro was murdered. Its appeal was to the middle class, and intellectuals. This was a sort of *rapprochement* with the broader population, and it appealed to the "Group of Twelve" (Los Doce) that served as a forum for consolidating anti-Somoza forces. The domestic, internal forces including the Church would be those that finally enabled the FSLN to win not just militarily but also with the popular support of the people.⁸⁸

In May 1978, three anti-Somoza groups had joined together to form the Broad Opposition Front (Frente Amplio de Oposición - FAO). The FAO consisted of the Group of Twelve, the Nicaraguan Democratic Movement (Movimiento Democrático Nicaragüense - MDN) formed in March by an anti-Somoza businessman, and the Democratic Liberation Union (Unión Democrática de Liberación - Udel) originally led by

⁸⁸It is important to note that Nicaragua's FSLN revolution example supports the tenets of revolutionary theory in four specific areas: that successful revolutions are led by intellectual elites whose roots are in wealth, that peasants seldom organize themselves to carry off a revolution without the support of those elites, that revolutions occur when economic conditions are improving, and that the head of state appointed by the outgoing government is usually a moderate and will not retain power for long. See chapter two for an elaboration of these points.

Pedro Chamorro, and Somoza Minister of Education Ramiro Sacasa. There was no FSLN representation in the FAO.

The FAO was focused on a negotiated solution with Somoza. However, Somoza did not cooperate, and the Group of Twelve withdrew from the FAO in October. The FAO persisted in its negotiation solution but the ineffectual result caused the defection of many FAO members. The FSLN strength was bolstered when the Organization of American States published a report on the human rights abuses of the Somoza regime which was followed by an official United Nations condemnation. A Cuban-led mediation team managed to patch up differences in the FSLN in December 1978 between the three factions of the FSLN, and by March 1979 the FSLN staged an official reconciliation. These events, in combination, strengthened the FSLN, and broadened its appeal both domestically, and internationally.

In July 1978 the FSLN, having no political arm, formed the United People's Movement (Movimiento del Pueblo Unido - MPU) that was made up of individual leftist students, PSN members, left-leaning labor movements, and unions, and leftist student organizations. The MPU's announced strategy was armed overthrow of the Somoza government through a nation-wide strategy of insurrection. In effect, the FSLN took advantage of the OAS findings, the United Nations condemnation, and the inability of the FAO to engage in meaningful negotiations with Anastasio Somoza Debayle.

The most dramatic, and very effective operation that signaled the end of the Somoza regime was the capture of the entire National Palace along with 2,000 government officials on 22 August 1978 by the FSLN. Edén Pastora Gómez (Commander Zero) led the attack had the same central purposes as the 1974 attack except it was done

in the name of the FSLN “Third Way.” Again Cardinal Obando y Bravo, who by that time was stepping up his criticism of Somoza, along with the ambassadors from Costa Rica, and Panama, negotiated a settlement. The settlement included (1) a \$500,000 ransom, (2) the release of sixty FSLN political prisoners, public dissemination of an FSLN declaration, and (4) safe passage to Venezuela, and Panama for Pastora Gomez’s⁸⁹ force. This operation provided the impetus for an FSLN reconciliation (see above), humiliated Somoza, and shook the confidence of the GN leadership such that Somoza immediately was forced to reorganize the GN to avoid a coup attempt. However, the GN resumed its largely successful operations against the FSLN guerrillas in the countryside.

The events that occurred between 1975, and 1979, either by design or otherwise, broadened FSLN general support, garnered it greater membership, strengthened its guerrilla forces, and gained it international support. Somoza, despite his superior military forces was forced out by circumstances alone. On 17 July 1979, after naming interim Nicaraguan President Francisco Maliano Urucuyo, Anastasio Somoza Debayle fled with his family and stolen fortune.

Urcuyo fled to Guatemala the next day following many GN officers and soldiers who defected. On 19 July the new FSLN government in exile proceeded to Managua from

⁸⁹Pastora Gómez later defected from the FSLN, and in 1981 led a counter-FSLN movement based in northern Costa Rica—the Nicaraguan Resistance which was made up of three separate anti-FSLN military groups operating in the north, the south, and the Miskito Coast. They were made up the original core of anti-FSLN forces. Additionally, the CIA-sponsored Contra forces originally funded with \$19 million, and manned by former GN members based in Honduras put pressure on the FSLN. Their success against the FSLN was mostly due to successful harassment operations against the Nicaraguan infrastructure. The involvement of the United States government, the Oliver North Iran-Contra affair, and the Boland Amendment and its purpose are well documented, and not a subject of this study.

León where it had arrived the day before by aircraft from Costa Rica. The FSLN leadership, and its new government then was faced with carrying out its program of pluralism, a mixed economic system to support a social democratic form of government, and a non-aligned foreign policy. It was faced with meeting the expectations of its broad support base that included urban workers, peasants and the remaining bourgeoisie plus some wealthy bankers and businessmen who had not been a part of the Somoza insider group.

In *Nicaragua Betrayed*, Anastasio Somoza Debayle holds that he was betrayed by the U.S. Government because it refused to come to his aid when it was most needed. His logic ignores the suffering of the people, and is mostly based on his, his father's and brother's strong anti-communist rhetoric and actions during the Cold War.⁹⁰ However, he makes *ad hominem* attacks against President Carter while praising the support of President Nixon and his administration.

The reasons for the United States' actions that including withholding of military aid and suspension of economic aid were complex but part of President Jimmy Carter's human rights plank to take whatever steps, however politically distasteful, to add human rights as a fundamental part of the U.S. foreign policy. In any case, Anastasio Somoza Debayle, despite his and father's political acumen in earlier years relative to United States political sensitivities, acted as if though it was simply his due. No doubt, this narrowing

⁹⁰It is well documented that Luis Somoza supported the Central Intelligence Agency's Bay of Pigs Operation by providing logistical support, and air basing of the World War II aircraft that took part in the Bay of Pigs invasion. Likewise, Anastasio Somoza Debayle assisted in General Omar Torrijos' return to Panama during a coup attempt in October 1968; however, Torrijos later betrayed Somoza by tacitly supporting a Panama contingent that would join the FSLN forces on the southern front.

view was a fundamental element in his fumbled attempts in his last year in office, and that view is reflected in his book in an unintended way.

What is most important about Anastasio Somoza Debayle is the political legacy that remains in Nicaragua today. While he claims in *Nicaragua Betrayed* that Nicaragua had democracy, free enterprise, freedom of the press and freedom of religion, he also argues that he did not mismanage public funds, that he was not a despot, and did not steal international relief funds after the 1972 earthquake. His visceral attacks on President Carter and the United States government in his postscript work, no doubt sealed his own fate.

With the fall of my government, there was ebullience in Moscow, Havana, and Washington, D.C. The Communists had won, and the free world had lost. As soon as the Army of Nicaragua had capitulated, Cuba started direct flights to the Managua Airport. These flights brought more arms, military equipment, military personnel, and they also brought something else. They brought teachers, hundreds of them, nurses, and doctors. Even then, the United States refused to recognize it for what it was—a Communist victory. . . . Now comes one of the most stupid moves . . . that Carter had ever made. With U.S. taxpayers money, he going to finance the Marxist government in Nicaragua. It's as Lenin said a long time ago, "Americans will sell us the rope with which we will hang them." In this instance, the U.S. is not even selling the rope. It's being given to the Communists. Is there no sanity in the U.S. State Department, and has Carter gone off the deep end? . . . It could indicate that the U.S. now [1980] now has Communists, and Communist sympathizers in the most sensitive positions in the U.S. State Department. . . . Mr. Carter sent \$3.5 million in food, and medical supplies to the Marxists. Then the State Department [diverted] \$8 million of foreign aid money . . . sending this money to the Communist government in Nicaragua. That's no all. Not by \$75 million it isn't.⁹¹

President Carter persuaded the U.S. Congress to authorize the additional \$75 million in aid to Nicaragua in March 1978 well before the departure of Anastasio Somoza

⁹¹Ibid., 287.

Debayle on 17 July 1979. Simultaneously, President Carter canceled all remaining committed military support to Somoza plus previously authorized foreign aid.

From Somoza's optic, however flawed, he saw the U.S. betraying Nicaragua's, and its own future. The more meaningful actions of President Carter, however, are that he helped lever Somoza out of power, and provided substantial support to the people of Nicaragua.

The cynical Nicaraguan today may view President Carter's actions as a mere continuation of its neocolonial strategies whose long-term ambitions would be to exploit Nicaragua. However, the more pragmatic analysis would be that the United States gave but a pittance of what it owed the Nicaraguan people that was only a small fraction of the damage caused by the CIA's conduct of the Contra War against the FSLN.

President Reagan and The Contra War

President Reagan was determined to undermine the FSLN despite early overtures by Daniel Ortega. Outside of that context the strategy of the United States that included the Central Intelligence Agency Contra forces, economic embargo, and other pressures including suspension of any loans or loan guarantees from the international community.

While the original National Directorate, the *de facto* FSLN government,⁹² was made up of both FSLN Marxists, and more moderate middle, and upper class members including the widow of Pedro J. Chamorro (Violeta Barrios de Chamorro) who would become president in 1990, President Reagan saw the issue only through Cold War lenses.

⁹²General elections were not held until 1985, partly under pressure from the United States, when Daniel Ortega Saavedra won the presidency. Afterward, the FSLN authored the Nicaragua political constitution which is in effect today.

The pressures that he put on the FSLN no doubt contributed to the eventual downfall of the FSLN government despite its wide popular support. The legacy of the FSLN is both part of the modern-day Nicaragua political psyche and, in a sense, a source of resistance to change toward the neoliberal model.

The Somoza legacy is an almost forty-three year plus hiatus in the legitimate development of democracy during which the major domestic forces were either coopted or manipulated for the maintenance of the Somoza dynasty, and its self-enrichment. During this period, Nicaragua grew economically but unevenly because of the fascist-like management of the state. The Somozas dictated all public policy that included economic strategies, labor relationships and social policy. Nicaragua was operated as a family estate for the Somoza and their closest associates.

While the FSLN enjoyed the majority support of the general population until its defeat in the 1990 elections, it had been helped because of, not in spite of, the Somoza dynasty's policies. The FSLN's ultimate demise was based not on its ideals but rather on its failure as an instrument of change that would improve and grow Nicaragua economically, and socially. However, much of failure of the FSLN to find success can be attributed to its own reactions and policies in dealing with the pressure put on it by the United States.

One central fact is not disputed by scholars on either side of the argument regarding Nicaragua's fate. Nicaragua had one of the strongest economies in Central America up to 1972 when the Christmas earthquake destroyed the capital city, Nicaragua has abundant natural resources, sufficient workforce and the potential to return to that status if circumstances are right.

Despite the abuse by the Somoza family dynasty, Nicaragua still attained a very high standard of living relative to neighboring states in Central America. It is that paradox most troubling to Nicaragua's and would-be external patrons. The FSLN was not able to attain anything close to Nicaragua's previous economic condition despite the patronage of the Soviet Union and its surrogate, Cuba. While it is true that the United States' pressure on the Sandinistas through the support of the Contras was a factor, it was not the civil war (fought between the EPS forces and Contras) that proved to be the FSLN downfall. It was the failed economic policy, and the data from the period clearly reflect that.⁹³

The nominal democracy that Anastasio Somoza García had set up with the help of the U.S. Government, and U.S. Marines was little more than an instrument of his ambition. While kowtowing to U.S. foreign policy externally, internally Somoza was building a personal fortune based on confiscations, illegal transactions, rake offs of U.S. aid, and any sort of activity that would strengthen his fortune, and power—all enforced by the GN. It was not until the Carter regime, that Anastasio Somoza Debayle's hand was called.

Despite the corruption, and fascist manner of the Somoza dynasty, the strategy to encourage foreign investment, and engender an atmosphere for growth was effective. Before events that spelled the end of the dynasty beginning with the devastating earthquake in Managua that Somoza handled badly, large United States corporations operating in Nicaragua included Sears and Roebuck, various American banks, McDonald's and Kentucky Fried Chicken franchises. The Somoza dynasty had altered the traditional patronage system such that it had substituted the role of the patrón who looked

⁹³See Table 2.

after his charges through thick, and thin to a national patrón or caudillo who acted as a sort of supreme patrón with the extended family as overseers of the system. The more traditional system is well described in *To Lead as Equals* by Jeffrey Gould: “Most campesinos were used to thinking of hacienda labor as a part of reciprocal aid. The campesino “helped” the landlord with labor, and the landlord “helped” the campesino with a few acres of land, food, and some cash. . . . campesinos viewed many of the *ricos* (rich folk) as kind-hearted.”⁹⁴

Arguably, the substitution for the traditional patrón (rico) who operated within a limited geographic area to a national model was created by Zelaya in the late 19th Century. He raised the patronage system to a higher level by dispensing monopolies, and charters in return for either political favors, loyalty or, more probably, money. This style of government was wholly adopted by the Somoza dynasty until its demise; it was closely tied to politics, and the GN with the ultimate goal of remaining in power. “Patronage, in the form of using resources of the central government to award positions, and pork as a private payoff for political support, is the most salient example of cronyist impulse Nonetheless, there has been very little work devoted to identifying the interaction between the cronyism on the one hand, and formal political institutions on the other.”⁹⁵

⁹⁴Jeffrey L. Gould, *To Lead as Equals - Rural Protest and Political Consciousness in Chinandega, Nicaragua, 1912-1979* (Chapel Hill: The University of North Carolina Press, 1990), 89.

⁹⁵William R. Summerhill, “Party and Faction in the Imperial Brazilian Parliament,” *Crony Capitalism and Economic Growth in Latin America - Theory and Evidence*, Stephen Haber, ed., (Stanford: Hoover Institution Press, 2002), 109. While this cited work refers to the Brazilian lower house of Parliament from 1881 to 1884 during its constitutional monarchy period, it illustrates the characteristics of those seen in Nicaragua including the subordination of political parties to the powers of whichever Somoza was in power. However, Summerhill also holds that political parties did have some influence on

The relationship of rural poor to the hacienda-style “patrón” system changed in an evolutionary way as modern agricultural methods demanded a scale of operations that changed the landscape, and a proletariat class evolved to work in urban factories; its tradition is part of the “psyche” that remains in the culture today. It was the breaking of that tradition that, in part, was at the root of rebellion.

Until the early 1960s, Nicaragua was largely an agricultural society that had a relatively diversified economy that included exports of coffee, cotton, cattle, and sugar.⁹⁶ However, as world markets changed, the agro-industry in Nicaragua followed. In particular, cotton as a primary export is no longer seen in Nicaragua but by the late 1990s, the fishing/lobster industry had gained a prominent position in the export economy.

Most of the exportation was through the Pacific port of Corinto or, in the case of the Atlantic coast through Bluefields or Puerto Cabezas. Corinto operations were well placed near the breadbasket of Nicaragua in Chinandega Province. Historically, Nicaragua’s relatively diversified commodities exportation has been subject to the vagaries of the international market— especially in coffee, sugar and cotton. In terms of percentage of exportation in dollar value of the four commodities, the order of most to least in terms of value from 1960 to 1979 was cotton, coffee, beef and sugar.⁹⁷

voting outcomes in the legislature. Anastasio Somoza Debayle dismissed the Nicaragua legislature in 1978 precisely because its activities were becoming problematic.

⁹⁶These four commodities were the mainstay of most of Nicaraguan economy; however, the more marginalized Mosquito Coast has had substantial exportation of lumber, fish, lobster, and shrimp. Also, Nicaragua has some gold mines that have been exploited since the time of the Spanish colonization.

⁹⁷Mark Everingham, *Revolution and the Multi-class Revolution in Nicaragua* (Pittsburgh: University of Pittsburgh Press, 1996), 66.

Beginning in the 1950s, and expanding in the 1960s, Nicaragua developed a modest light industrial sector concentrated in Managua that included such industries as milk processing plants. Most of Nicaragua's labor is still concentrated with peasants in the agricultural sector, and port workers in Corinto with a growing maquila sector in Managua that populates foreign-owned factories.⁹⁸ Nicaraguan law encourages such maquila operations by allowing "free zones" that receive raw materials without tariffs, and export finished goods also without any imposition of duties or tariffs.

It is ironic that the same peasant and labor force that originally made up the bulk of Somoza Garcia's political base in 1936 when he ousted President Sacasa from office, was a force in alliance with other sectors that ultimately compelled Anastasio Somoza Debayle to leave office. Until that point in time, the labor movement in Nicaragua was associated with Anastasio Somoza Garcia's rise to power.⁹⁹

The wave of strikes that began in early 1936 spread to workers in Chinandega where sugar refinery unionists joined forces with urban workers in protest of the Sacasa

⁹⁸Current Nicaraguan law designed to encourage foreign investment allows tax free importation of unfinished raw materials, and exportation of finished goods. The largest such tax free zone (compound) is located near the Sandino International Airport in Managua where the primary products are clothing. However, investors may apply to the government for designation of tax free zones anywhere in Nicaragua, and shipments to, and from are by bonded road transport.

⁹⁹It should not go unnoticed that the system of *patrónage* can be seen first in the hacienda system before the 1930s, the transfer of loyalty to Somoza Garcia after his rise in 1936, and ultimately in the FSLN's iconic leader, Carlos Fonseca. Further, the presidency of Violeta Chamorro can be seen as a transition period away from that cultural habit; however, both Alemán had and Bolaños has appeal as *patrons*.

government. Somoza Garcia, while head of the GN, was by the time of his coup in May 1936 identified as a non-repression friend of peasants and labor.¹⁰⁰

The largest single manufacturing entity in Nicaragua since the 1920s has been the San Antonio sugar mill (Ingenio San Antonio - ISA) in Chichigalpa, Chinandega where more than 2,000 workers are employed. It was privately owned until its appropriation by the FSLN government in 1988. The origins of worker political consciousness in Nicaragua are attributed to the ISA workers whose political Liberalism was energized by the close relationship the ISA owners had with the conservative governments that were propped up by the U.S. Marines beginning in 1912. Those owners depended on the Conservative governments for legislation, and public policy that would favor management. ISA workers staged strikes against the ISA in 1912, and 1926, but it was not until 1936 that Somoza Garcia's coup provided the impetus to organize a formal union and stage a general strike.¹⁰¹

During the Zelaya period, the ISA had been protected by the government; government policy favored monopolies, and tariff protection, and by 1909 ISA had nearly doubled the size of its operations. After the conservatives took power, the new government continued Zelaya's practices including forced labor. Thus, its anti-labor, pro-cartel practices made it vulnerable to political manipulation. In August 1912, ISA workers joined a paramilitary force to defeat Conservative forces in Chichigalpa that marks the beginnings of the Liberal revolution against U.S. supported Conservative government

¹⁰⁰Gould, 39-40.

¹⁰¹Ibid., 22.

forces. Somoza Garcia identified himself as a member of the Liberal Party, and used labor unrest as a political tool to assume power.

As Nicaragua's most powerful industry,¹⁰² the ISA was inextricably tied up in politics, and national economic policy, and remained so until its expropriation in 1988. General Augustino Sandino was not able to translate ISA labor complaints into mobilized support for his effort, but Somoza Garcia had the requisite political skill to manipulate labor.¹⁰³ After a general strike July 1936 by ISA workers that was settled in favor of management through the intervention of Somoza's GN troops, the workers and management warmly greeted Somoza during a visit to the plant.

Revealing a strategy that later he would refine to a high art form, Somoza Garcia did not mention the strike but declared, "I assure you that the people's rights will not be mocked, and that the workers, and the proletariat will enjoy the privileges of full citizenship."¹⁰⁴ The apparently self-contradictory positive reaction by the workers to Somoza is explained by Gould as recognition of the workers that they needed government support to carry out their liberal agenda. The reaction can also be seen as an early example of Somoza's "carrot, and stick" long-term strategy to both promise labor reforms, and crack down when labor was not sufficiently compliant. The Somoza strategy included encouragement of labor unions, and in 1946 briefly garnered the endorsement of the PSN.

¹⁰²ISA's product included very lucrative production of spirits, and export of sugar to canneries on the west coast of the United States.

¹⁰³More credit should be given to Somoza Garcia for his astuteness because his own family fortune was tied to the cattle industry that required far less labor intensive operations. The cattle industry in Nicaragua is more identified with the Conservatives than the Liberals.

¹⁰⁴Ibid., 42.

A review of Somoza Garcia's strategies is useful because it both remains in the current memory of deal makers in Nicaraguan politics, and reveals a reason for cynicism of the general electorate.

The U.S. Government had mediated conflicts between the National Liberal Party (Partido Liberal Nacional - PLN), and the National Conservative Party (Partido Conservativo Nacional - PCN) since the arrival of the U.S. Marines in 1912, and continued to do so until their withdrawal in 1932. However, that intervention set up a false system that Anastasio Somoza Garcia was able to take advantage of when he removed his uncle, President Juan Batista Sacasa in early 1936.

“(T)he United States took responsibility for protecting Conservative, and Liberal governments from General Augustino César Sandino’s ‘Defending Army of National Sovereignty of Nicaragua,’ a nationalist, anti-imperialist guerilla movement.”¹⁰⁵ President F. Roosevelt’s removal of the U.S. Marines was both because of the pressures of the Great Depression, and his “Good Neighbor Policy.” The removal gave Anastasio Somoza Garcia, who was the GN Commander, the political space and power to remove his uncle, and take control.

Anastasio Somoza Garcia began the process of putting the entire power structure in the hands of his PLN cronies. He expropriated coffee, sugar, and cattle operations that were the backbone of the PCN’s economic support.¹⁰⁶ Among the expropriations were coffee plantations, and cattle ranches owned by German fascists. His goal was to gain

¹⁰⁵Everingham, 45.

¹⁰⁶The San Antonio Sugar Mill (Ingenio San Antonio - ISA) was owned by PCN members and/or supporters.

overall control of the mechanisms of the export economy. Among other actions, he put in place taxes and fees, and mechanisms to monitor foreign commodities exchanges. When Somoza Garcia was forced to step down from the presidency in 1947, he managed to retain his control over the GN, and effectively control the political process through PLN surrogates until the 1950 election.

In April 1950, the PCN and the PLI reached an accord with the dominant PLN for the purpose of retaining some control in the National Assembly; the “pact” was awarded one-third of the seat in the Assembly, and a commitment for greater commercial freedom in exchange for a pledge of support to Anastasio Somoza Garcia and the GN that he controlled. This agreement is known as the “Pact of the Generals.”¹⁰⁷

The PCN took satisfaction that it had regained a voice in economic policy, and the PLI gained constitutional amendments that guaranteed individual freedoms. Relative to the Conservative Party’s attitudes toward labor, Somoza’s changes to the Nicaraguan labor code had looked too liberal and damaging to PCN businesses. Thus, the pact reduced the objection through accessions of Somoza Garcia to allow PCN participation in government.

However, the agreement also included a change to the constitution that allowed a president to succeed himself or herself. Thus the conservatives led by conservative Emiliano Chamorro, jeopardized their future opportunities to take leadership of the government.

¹⁰⁷The name of the agreement is a reference to military officers who would be spoilers if pushed to political or economic limits, e.g. a recognition by Somoza Garcia that compromise was a path toward perpetuating his control of Nicaragua.

Another important effect for Somoza was that he removed from organized labor any extant political platform thus continuing his strategy of manipulating labor and blunting its potential disruption of the state as a corporate enterprise. While the Conservative Party was assured at least minority participation in the government as a condition of the Pact of the Generals, it also assured that neither party would be troubled by labor unrest. "Hegemonistic concerns were placed in the sphere of contradictions *internal* [italics in original] to the dominant class, and no longer as a part of the relation Somocista [Garcia] state to the labor movement."¹⁰⁸ In effect, Somoza betrayed the promises he had made under obrerismo in favor of absolute control of labor with the GN as his tool for enforcement. The impetus for the agreement probably was the United States' announcement that it intended to invigorate trade with Latin America through foreign investment, and outright developmental assistance. In effect, the U.S. Government was witting, and complicit with Somoza and his strategy.

Somoza Garcia encouraged his government, and the Nicaragua National Chamber of Commerce to cooperate with the IMF to develop a plan to modernized Nicaragua's economy. The major parties, prominent bankers and businessmen joined in the effort; their focus was largely on capital flow that favored the commodities export producers.

Anastasio Somoza Garcia, as politically astute as ever, used the generosity of the World Bank (with United States' encouragement) to gain more control. He placed PLN cronies in key positions recommended by the World Bank experts, and founded the National Development Institute (Instituto de Fomento Nacional - INFONAC) to carry out

¹⁰⁸Carlos Vilas, *The Sandinista Revolution - National Liberation and Social Transformation in Central America*. (Berkeley, California: Monthly Review Press Center for the Studies of the Americas, 1986), 86.

the plan to modernize the economy. The INFONAC worked closely with the National Bank of Nicaragua (Banco Nacional de Nicaragua - BNN). The BNN had been established in 1912 under a U.S. law model, and survived until 1941 as an instrument to facilitate foreign trade and investment. In 1941, the BNN was nationalized, but continued to serve the commodities export industry. However, the BNN was in the hands of Somoza and the PLN by the late 1940s. When the BNN's close relationship with the INFONAC began in the early 1950s, it further empowered Somoza Garcia and the PLN.

Somoza incorporated the economic strategy of financial experts from the Federal Reserve Board of the United States, the IMF, the World Bank, and the Food and Agricultural Organization into his political platform. He portrayed himself as a champion of the "national well-being" and staked the success of his administration on attracting foreign aid, and expanding export agriculture. The sudden international attention whetted the appetites of wealthy exporters, and merchants who insisted that the PLN allocate resources fairly so that they could compete aggressively in world markets. However, Somoza reacted by invoking "emergency executive powers" granted by the 1950 constitution to control the reorganization of the economy beginning in 1952. At this point, the national agenda turned toward the creation of a modern economic infrastructure.¹⁰⁹

Somoza's control of these instruments served as political tools to manipulate, and placate the wealthy opposition with promises of economic prosperity. It also meant a lack of transparency in the banking system and unlimited opportunities for hidden transactions that would benefit the Somoza dynasty. Such a lack of transparency later became a reform issue demanded by the Paris Club instruments in exchange for assistance under the neoliberal rubric. It is a reasonable observation that these practices were institutionalized in Nicaragua, and probably there is a residual today that affects coercive powers of the captains of banking and industry in Nicaragua.

¹⁰⁹Everingham, 47.

Dependency Theory and Unintended Consequences

Some students of dependency theory would identify Paris Club instruments of power as facilitating a dependency relationship between the first-world industrialized states, and an underdeveloped commodities-export-dependent states like Nicaragua. In fact, the economic boom that followed diminished the arguments of critics and keen observers of what had transpired.

There was an unintended consequence of the Somoza strategy; wealthy opposition businessmen in Nicaragua, largely from the PCN, took the opportunity to establish private banks that survive today. The most prominent among them is the Bank of America (Banco de América - BANAMER) that survived the FSLN, and operates today.¹¹⁰

Another long-term result of the Pact of the Generals was an unintended opening of opportunity for those in opposition to, and in economic competition with Somoza Garcia; however, Somoza may have seen the pact as the only method of assuring his own survival.

He stood to, and did in fact become very wealthy because of the economic boom that ensued with his confiscations of farms and ranches. However, from 1960 to 1964, Nicaraguan peasants, and workers participated in 28 strikes causing the government to establish minimum wages, paid days of rest and other reforms.¹¹¹ Puppet President René Schick was known as one of the least repressive, and corrupt of the Somoza cronies, and his technocratic approach lent itself to social, and economic reforms demanded by peasants, and workers. Despite his reform efforts— especially in the area of land reform—he was thwarted by the commodities export elite who simply refused to cooperate. He did

¹¹⁰Everingham, 48.

¹¹¹Gould, 245.

have some success in carrying out a modest land reform program that was supported by Luis Somoza Debayle. The program, known as Article 19, involved the government confiscation of unproductive land holdings that were redistributed to landless peasants. Owners were given small compensation by the government.

The program was largely ineffective, and it went by the wayside when Schick died in 1965; Luis Somoza Debayle who supported the reforms died just two years later. The opposition to land reform by Anastasio Somoza Debayle, then in command of the GN, was probably the primary factor that caused the failure of the land reform program. “Tacho was undoubtedly afraid of losing some of the estimated ten percent of Nicaraguan farm land which belonged to his family . . . would alienate important elite sectors . . . and provoke even more campesino insurgency.”¹¹² By the end of World War II, Anastasio Somoza Garcia had added to the family fortune through confiscation of German-owned properties, but it is unlikely that the extent of the family fortune will ever be known. His family worth at the end of the war is estimated at \$60 million.¹¹³

During the 1960s, all Central American republics were struggling with economic performance and social reform issues. The IADB, the Alliance for Progress and the United States Agency for International Development (USAID) provided substantial expertise and assistance to improve economic performance and accelerate social reform. In 1981, after the FSLN Triumph but before the pressures of the Contra War, and natural disasters, the net result of the interventions in Nicaragua was that Nicaragua by far had the highest trade

¹¹²Gould, 250.

¹¹³Merrill, 26.

imbalance at \$12.576 billion in Central America. The next closest was El Salvador at \$3.058 billion.¹¹⁴

Beginning in the early 1960s, the United States' "assistance" was more welcome among politicians and bureaucrats of those republics than economic elites because the programs were focused on making concessions to the middle class and/or the military.¹¹⁵ In any case, the United States, that controlled all of these instruments of power, was interested in avoiding social upheaval and providing an opening for Soviet/Cuban-inspired revolution as seen in Cuba in the late 1950s.

In effect, the United States embarked on a policy that today is seen as preservation of military dictatorships in Latin America in furtherance of the Truman Doctrine's containment strategy. "Even before real insurgent threats surfaced, various U.S. Government agencies were committed themselves to the preservation of those regimes."¹¹⁶ Above all, the Somoza dynasty, and its policy of obsequiousness to the United States foreign policy goals fit the mold; therefore, its cooperation enabled the Somozas to retain, and grow political and military power. The formation of the INFONAC facilitated U.S. policy. "In the span of a few years, the peaceful evolution envisioned by the Alliance for Progress was transformed into preventative counterrevolution, and early militarization of states. Democracy, once thought of as an alternative to communism, came to be seen instead as a potential for its intrusion."¹¹⁷

¹¹⁴Vilas, *Between Earthquakes*, 126.

¹¹⁵*Ibid.*, 100.

¹¹⁶*Ibid.*, 98.

¹¹⁷*Ibid.*

Returning to the general subject of import substitution as a tool of dependency theorists, despite the clear facts that Dependency Theory did not accomplish its goals of stimulating Latin American state economies and reducing economic disparity. It is true that the period before the mid-1980s when most of the states were not democratic and tightly controlled by military leaders or civilian leaders with military backing, but the power that those governments exercised could not formulate and implement such policies successfully. It was after that period when Latin American states began the transition to true democratic systems that import substitution was by and large abandoned; the result was that most of those economies fared well until the economic crisis of the early 1990s.

Religion and Nicaragua's Development

Nicaragua's post-colonial religious history can be split between Mosquitia that was relatively isolated from the more highly populated western third of Nicaragua that had been settled by the Spanish. Little is known about the original indigenous populations' religions in the western third. The Catholic church operated in concert with the Spanish conquistadores' brief to discover and hold territory for the Spanish crown. Today, the predominant religion in Mosquitia among the three main indigenous groups (Miskito, Suma, and Rama), and the Creoles is Moravian.¹¹⁸ The balance of Nicaragua—the

¹¹⁸The Moravian Church originated in Moravia, and Bohemia (Eastern Europe) as a Protestant denomination based on the teachings of John Hull. Ministers from the denomination were a part of the early British colonies in the Caribbean. The church was highly organized, and served the social needs of the slaves imported by the British from Africa to work the agricultural plantations in the Caribbean. The Moravians gained acceptance by the British governors, and were later granted authority to carry out their religious work along the Mosquito Coast from the earliest days of British colonization. The church served as a *de facto* government, record keepers, and educators. It is still the predominant church in Mosquitia; however, in the past fifty years the Catholic Church has

Spanish-speaking western third—has a mix of Catholic, and Protestant religions.¹¹⁹ As previously addressed, religion plays profound role in the lives of Nicaraguans whether they be Spanish-speaking creoles or Miskito. The participation of the various predominant organized religions in Nicaraguan politics—especially the Catholic Church—is unlike any European or English, Dutch or French speaking state in the Western Hemisphere.

The Role Of The Moravian Church

As an organized religion, the Moravian Church had an enormous impact in integrating the Mosquito Coast's various indigenous groups. It served as the *de facto* secular government providing services to the Creoles and indigenous alike. While the British consolidated its power by coopting the various "royal" families of the indigenous groups, naming a king, and supplying warships to them, it was the Moravian Church that provided the vehicle of integration of the various groups and subgroups.¹²⁰

made inroads in the region following its parishioner as the Spanish-speaking agricultural frontier has pushed east into the region. The Moravian Church is still the moral foundation for most who live in the region—especially for the indigenous. While it initially resisted any participation in the Sandinista Revolution, it, and its followers become politicized when the victorious FSLN National Directorate began to impose mandatory Spanish language education, and other measures to integrate the region into the larger state.

¹¹⁹As agricultural encroachment proceeds from the Spanish-speaking third of Nicaragua, along with it is that culture's Catholic church. Thus, over time, the formerly dominant Moravian Church has lost its large majority. In terms of population, roughly one tenth of Nicaragua's population is in the RAAN and RAAS that makes up about two thirds of the land mass, while nine tenths of the Spanish-speaking Catholic population occupies the western one third of the land mass. Also, most estimates put 90 percent of Nicaragua's natural wealth such as valuable timber and gold in the western two thirds of the territory.

¹²⁰The British government crowned the Miskito king in formal ceremonies in 1687. It was a *quid pro quo* arrangement. The Miskito strongly disliked the Spanish; in return for formal recognition, and respect, the Miskito kingdom facilitated the activities of the

In 1847 two ministries of the Moravian Church were initiated in Mosquitia. The first Moravian Church officials were English-speaking missionaries from Jamaica. The Moravians first recruited lay ministers from the coastal, mostly Sambo Miskitos, and those lay ministers traveled to the interior to evangelize. Although there had been an earlier Anglican Church presence in the region, the Moravians had far greater success in converting the indigenous population. While no public schools were provided, the Moravian Church provided church-run schools. While record keeping was nil at the official government level, the Church provided for that function through its church registrars. The British had a very strong presence until the end of the 19th Century, but it had little interest in filling an administrative or local government role; rather, it was focused on protecting the crown's trade interests. Therefore, the Moravian Church operated with the tacit approval of the British crown without supervision of any sort.

Between 1861 and 1894, the Moravian Church was named by Miskito leaders as the official financial administrator of what had become a reserve (or territory). The British had given up any formal claim to the region in the Treaty of Managua of 1860 but provided for its former de facto colony by arranging the inclusion of clauses that guaranteed (1) a defined semi-autonomous region, (2) self government within the region, and (3) that an annual stipend be paid to the Miskitos by the Managua government. Implicit in the agreement was the continuation of the Moravian Church's role. The Moravian Church schools were conducted in English, and as it did in its civil government

British buccaneers who based their operations in the region. See: Bernard Nietschmann. *Between Land and Water* (New York: Seminar Press, 1973) for extensive details on that relationship.

role; it became the *de facto* civil authority under the loose control of the new Miskito council provided for in the Treaty.

The Moravian Church was completely supportive of the Miskito society as a whole incorporating the culture to the extent possible. In effect, it was the focal point for later political issues that included its insistence on use of the English as the lingua franca, its own education system, and a general dislike of anything Spanish including the Catholic Church. "The new government decreed that the laws of England, adopted in 1848, and the English language would continue to be used on the reservation."¹²¹

In effect, the Moravian Church became politicized by the circumstances of the day, and the wishes of the Mosquitia people. So long as the region remained relatively under populated, represented no threat to the national government, and maintained its self-chosen insular habits, there were no important political issues. However, this was not to be the case in the long term.¹²²

On 20 November 1894, the Miskito chiefs (the king had little authority by that time) voted to "re-incorporate" but received no encouragement from the British or Americans. The Managua government had not paid the annual tribute stipulated in the Treaty of Managua, and the Miskitos wished to return to their condition of self rule under the British. Again, the Moravian Church supported the move. To complicate matters, in

¹²¹Naylor, 199.

¹²²"Today, the Miskitos use the pejorative term, *pañas*, to refer to nearly any Spanish-heritage person living in or visiting the region. However, with the agricultural encroachment from the west that is largely mestizo, that term is not as much used as before their arrival.

1901 the United States, and Great Britain entered into the Hay-Pauncefote Treaty in which the British ceded any further claim to the region.

President Zelaya, whose anti-U.S. nationalistic zeal would come more the fore later, took steps to reassert Managua's authority. Aside from non-payment of the Treaty of Managua stipend, he began to grant commercial concessions to a variety of foreign companies—all of which violated the spirit of the Treaty, and sanctity of the Miskito territories. He exploited Mosquitia at will, and the most onerous act to assure long-term political control was the decree that the Moravian Church school system be dismantled, and that all further instruction be conducted in the Spanish language. However, in positive terms he recognized the Miskitos and their culture as a distinct entity but part of the Nicaraguan state.

Because the Moravian Church had been the keeper of the Miskito culture (including maintenance of the Miskito language), and the center of social life as well, Zelaya's decree had the effect of dismantling the cohesion brought by the Church.¹²³ Perhaps the most telling of the relationship between the Moravian Church and the Nicaraguan national government appears in a 1901 United States Department of State cable: "[The Nicaraguan authorities allege that the Moravians] have always been unfriendly, and even openly hostile towards the Nicaraguan government . . . and taught in its schools, and churches the natives a disregard, and disrespect for the laws, and customs

¹²³The FSLN's first efforts at integrating the Miskito territories, then known as Zelaya Province North, and Zelaya Province South, were similar in tactics, and similarly destructive. The FSLN's National Directorate ordered a cadre of party faithful school teachers to the region for the dual purpose of education, and politicization of the people. Tomás Borge, the FSLN Minister of Interior, later admitted the error, and took steps to correct it. However, his program was short lived with the election of Violeta Chamorro in 1990.

of the country.' This allegation, no matter how valid, constituted a good basis for discriminatory actions."¹²⁴

When Zelaya was removed from office in 1909, the Moravian Church was able to resume its former role; however, much damage had been done. In any case, the *de facto* benign neglect policies of Anastasio Somoza Garcia beginning in 1936, and lasting until Anastasio Somoza Debayle's departure in 1979 saved the Moravian Church and its role. Over time the shift in demographics of the region diminished the importance of the role of the Moravian Church. In 1988 the population of the Atlantic coast of Nicaragua was roughly 240,000 of which 120,000 were Mestizos; 80,000 Miskito; 30,000 Creole; 8,000 Sumu; 1,500 Garifunos, and 800 Ramas.¹²⁵

The Moravian Church was seen by the FSLN as a key obstacle to the consolidation of the 1979 revolution. The FSLN's earliest efforts to fully consolidate the region into the state were ill-advised and poorly executed. Those efforts led to the active support of many Miskitos who joined the Contra forces in the south with Edén Pastora, and the CIA-led force in the north.

In 1998, Palmerson Budier, the pastor of the largest Moravian Church located in Bluefields, related that not long after the FSLN victory, Sandinista troops, and FSLN functionaries systematically harassed his church and its parishioners¹²⁶. The harassment

¹²⁴Craig L. Dozier, *Nicaragua's Mosquito Coast, The Years of British, and American Presence* (University of Alabama: The University of Alabama Press, 1985), 162.

¹²⁵Jane Freeland, *A Special Place in History - the Atlantic Coast in the Nicaraguan Revolution* (London: Nicaragua Solidarity Campaign, 1988), 16.

¹²⁶Palmerson Budier (Moravian Bishop in Bluefields), in discussion with author and others in Hays-Fulbright group in July 1999 in Bluefields, Nicaragua.

included the kidnaping of his own son. After a terrifying 24-hour ordeal, he was allowed to go home but he was forever silent about what had happened. The son immediately quit his former student leadership position in the Moravian high school from which he had criticized the FSLN.¹²⁷ In 1984, FSLN Minister of Interior Tomás Borge reflected on the early tactics:

The Somoza dictatorship never made the slightest effort to bring education or health to the . . . population. Tuberculosis decimated lives, and illiteracy blotted out minds. Neglect was the policy toward Miskitos. We wanted to resolve this historic backwardness, having a great deal of will, but with little knowledge. We committed errors, many times no account was taken of the cultural particularities of the Miskitos . . . Such errors were committed in good faith; they were taken advantage of by the bad faith of the counter-revolutionaries [CIA-supported Contras].¹²⁸

Clearly, the Miskito preferred benign neglect to the FSLN program; ironically the real legal protections that included freedom of religion came with Borge's determination to rectify the errors with the National Autonomy Commission of the Sandinista Government. That Commission, inaugurated in June 1985, invited the participation of the Miskito leaders to write a national law that would grant unique rights to the Miskitos, preserve culture and religion, and incorporate the region into the whole of Nicaragua.

Most important from the FSLN perspective was the goal of regaining political trust. On 30 October 1987, Law 28 - Statute of Autonomy of the Atlantic Coast Regions of Nicaragua was ratified by the National Assembly.¹²⁹ In effect, the FSLN was successful

¹²⁷Budier.

¹²⁸Mary B. Vanderjaan, *Revolution, and Foreign Policy in Nicaragua* (Boulder: Westview Press, 1986), 100.

¹²⁹Among other provisions was the renaming of the Mosquitia political regions from Zelaya Province North, and Zelaya Province South to National Autonomous Region North (RAAN), and National Autonomous Region South (RAAS).

in finally including Mosquitia into the larger Nicaragua, by allowing the region to return to its traditions, and preferred religious practices. While this could be seen as political manipulation by the FSLN, the effect has been more altruistic in outcome. The Moravian Church now competes with increasing Hispanic Roman Catholic population, and is nominally apolitical. However, memories are long.

The legal protections put in place by the FSLN are somewhat less meaningful today because of the diminishing Miskito population, and influence of the Moravian Church.¹³⁰ It is important to remember that approximately half of the sources of capital in the RAAN and RAAS come from remittances while much of the balance comes from drug transit business.¹³¹ According to IMF data, between 1970 and 1998, the mean percentage of remittances against the total GDP of Nicaragua was 12.5 percent.¹³² Much of the loss of uniqueness and regional identity is due to the Spanish-speaking, Catholic agricultural encroachment into the region from the highland regions, and improved transportation, and public media infrastructure.¹³³ President Violeta Chamorro who took office in February 1990, and the later Presidents Alemán and Bolaños returned to a *laissez-faire* relationship

¹³⁰In 1999, Palmerson Budier estimated that in Bluefields forty percent of the population was Moravian, forty percent Catholic, and twenty percent other (mostly Pentecostal).

¹³¹Aynn Setright (Academic Director, School for International Training, Nicaragua Study Abroad Program), in discussion with author June 1998, December 2002 and December 2003.

¹³²Ralph Chami, Connel Fullenkamp and Samir Jahjah. *Are Immigrant Remittance Flows a Source of Capital for Development?* (IMF Working Paper). (Washington, D.C.: International Monetary Fund, 2003), 32.

¹³³In 2000, there was only one Miskito member of the 97-member Nicaraguan national assembly, and only one Miskito high national government official who was the head of the Election Tribunal.

with the region not unlike that of the Somoza dynasty—benign neglect. The relative isolation of the region and its minor role in the National Assembly account for much of this behavior, but more important the region has preferred relative isolation and unless the region's economy is affected such a *laissez-faire* relationship is the norm.

The Role of Pentecostal and other Protestant Churches

Even though Nicaragua, as a state, was founded with Catholicism as the state religion, there has been a significant increase in Protestant churches, and membership—especially during the 20th Century. By the turn of the 21st Century, rough estimates put 70 percent of the population counted as Catholic, and the balance Protestants.¹³⁴ While the Moravian Church has dominated religious, and social life in the past in the eastern two-thirds of Nicaragua, it is losing ground fast to the Catholic Church, and Pentecostal Church.

The Pacific side of Nicaragua, has a significant Baptist Church presence. The period between the mid-1960s, and 1990 was an era of significant change for all churches in Nicaragua. This was due to the social unrest, the increased repression of Somoza dynasty as it lost its grip, the FSLN-led revolution and general self examination. As the changes occurred, all churches in Nicaragua shifted their alliances, and strategies in response. This was particularly true of the Catholic Church. The universal truth is that all of the churches in Nicaragua have been politically active since the 1960s although their roles vary by social, and economic classes.

¹³⁴Merrill, 86.

Beginning from an almost one hundred percent Catholic Church presence in the western third of Nicaragua from the earliest colonial period, the influence of the American Baptist Church has risen substantially to what is today probably at about thirty percent. The traditional Catholic Church in the region, until the mid-1960s, had supported the national governments including those of the Somoza dynasty while still providing the religious base for the poorest Nicaraguans.

The Nicaraguan Baptist Church, affiliated with the American Baptist Church, early on had made its evangelistic appeal to the peasants and farmers in the region—not with the ruling classes. Therefore, its growth can be attributed to its identification with those classes; however, today the Baptist Church is more identified with the middle class of the region.¹³⁵ In any case, it is interesting to note that one of the earliest class conflicts in the rich western agricultural area, was led by a Nicaraguan Baptist preacher, Manuel Campos, who sought to redress the disparity of peasant workers, and challenge the large landholding families in the Chinandega Province.

The earliest interconnections between religion, labor, and political parties can be traced, in part, to the activities of Campos who was instrumental in the joining of Chinandega peasant labor and Corinto dock workers in the late 1950s and early 1960s. “More than a decade before Catholic activists began to speak of (Liberation Theology), this ex-moonshiner found that Christianity, and class struggle were inextricably linked.”¹³⁶ He was harassed by local officials and once was arrested for littering in front of a Catholic Church.

¹³⁵Merrill, 86.

¹³⁶Gould, 199.

However, his powerful personality and conviction gained both peasant union members and parishioners. His election to the presidency of the predominantly Catholic union (El Realejo Agricultural Workers' Union) was unusual in itself, but he successfully mixed union leadership with his ideas about the connection between church and social responsibility.

Campos managed to consolidate both agricultural and dock workers' union movements into a synergism that forced the Anastasio Somoza Garcia and Luis Somoza Debayle governments to live up to commitments to labor interests, and still keep the GN at bay when called on to protect crops and warehoused goods at the port from labor demonstrations. (See discussion in following section on labor regarding horizontal relationships between peasant, and worker interests.)

President Luis Somoza Debayle finally acquiesced to the demands of the combined labor movement on 1 March 1962, but not before having Campos symbolically arrested as an agitator—he was released several days later. In effect, Campos managed to lever the PLI's promises to labor, his and his followers' religious conviction in attaching religion to social action, and responsibility of the workers to great advantage—one that benefitted the workers, and provided a model for the soon-to-follow Catholic-led Liberation Theology movement.

While Campos' approach was more pragmatic than politically driven, the result of his and others' work fit neatly with the successful recruitment of workers and peasants in the region by the FSLN during the revolution.

The Catholic Church's role in Nicaragua changed over time—it political role is most important to this discussion but it is necessary to lay out how that role evolved from a full

partner with the Spanish crown in conquering, colonizing and “Christianizing” the indigenous people, to acting in a supporting role to government after Nicaragua’s independence in 1821 through the mid-1960s when some factions took on a more secular role—even before it was mandated by Pope’s encyclical in 1968.

The Catholic Church’s influence in the daily lives of Latin Americans is profound, and Nicaragua is no exception even today. While there have been some minor inroads by evangelical Protestant churches in Nicaragua, the increasingly secular mission of the Church has influenced the Protestant churches to follow that lead.

As in the European model that is first seen in the late 1940s, many Catholic priests see little or no conflict between the Church’s role and Marxism as a model to address social disparity. Surprising to most in the English speaking world, after the July 1979 overthrow of Somoza the FSLN National Directorate, and its subordinate bodies were made up of no fewer than three priests of various orders—but the FSLN was not supported by the more traditional Cardinal Obando y Bravo and his conservative church.

The early history of the Church in Nicaragua is important when contrasted with its more activist secular role today. In the conquest of the indigenous peoples in Nicaragua through its official role in “Christianization” of the indigenous, the Church and the Spanish Crown’s officials enforced requirements that the indigenous submit to the Church. “(The Spanish Crown) justified the wars, and massacres (of the indigenous) by the Crown’s sacred imperative to ‘extend the faith’ which had been requested by the Pope.”¹³⁷ During the early days of Spanish conquest, the indigenous resisted.

¹³⁷Wheelock, 34.

In a transcribed meeting between Catholic priest Francisco de Bobadilla and indigenous high priest Tocoteyda, Bobadilla asked Tocoteyda to clarify his position on Christianity. His reply was “I am old, and I am not a cacique because I am Christian.”¹³⁸ The Spanish in Nicaragua were frustrated in their attempts to subjugate the indigenous but “With the objective of striking a blow to the political structure of the Nicaraguan aboriginal people. . . abolished the Elder Councils . . . in which communal sovereignty resided . . . what was a collegiate system.”¹³⁹

In keeping with the established system, the Spanish Crown instituted autocratic systems that were intended to undermine the indigenous system, and further the colonization of Nicaragua.¹⁴⁰ The Catholic Church was complicit in obscuring the true treatment of the indigenous¹⁴¹ This was especially true during the period of conquest ruled by Pedrarias who saw the destruction of the indigenous culture to the end. However, some Catholics were appalled at the treatment of the indigenous, the most well known being Fray Bartolomé de las Casas who chronicled in his *History of the Indies - Foundation of the Economic Culture*: “Every four or five months . . . the cacique was forced to provide fifty slaves under the threat of his being burned alive or thrown to the mad dogs. They first took the orphans . . . , and later asked (families) with legitimate

¹³⁸Ibid., 35.

¹³⁹Ibid.

¹⁴⁰It is interesting to note that a great deal of resistance occurred in the indigenous village of Subtiava, just south of modern-day Managua. Subtiava was also the center of resistance to the Somoza dynasty, and source of support to the FSLN during the revolution.

¹⁴¹A notable exception being Fray Bartolomé de las Casas, a Catholic priest who chronicled the abuses during the conquest period.

children for one (male), and for two females (if they had three females). This happened many times between [15]23, and [15]33".¹⁴²

Finally, the Roman Catholic Church's and Crown's actions overcame the indigenous nations to sustain themselves; however, the indigenous often fought back attacking indigenous slave mining operations, and similar Spanish-run abusive operations. Despite the ultimate subjugation of the indigenous their resistance continued. The introduction of African slaves in 1542, and the evangelization efforts of the Catholic Church were instrumental in the final fate.

While it seems obvious that the Catholic Church was complicit in the early conquests, what is less obvious is that the Church was intimately involved with all succeeding governments in Nicaragua until its role was officially removed from the Nicaragua Constitution in 1939. Beyond that date until the late 1960s and early 1970s, the Catholic Church was an integral part of governing system in Nicaragua. Its failure to grow can be attributed to its traditional, long-term association with the state governments—a rare exception being during the term of anti-clerical General Zelaya who ruled Nicaragua from 1889 to 1909.

After Zelaya through the end of the Somoza dynasty in July 1979, according to Carlos Vilas, the Roman Catholic Church was "Among the most backward of the continent, the hierarchy spread a Christianity of submission to the temporal order. The dictatorial power was in effect presented as the product of a divine will, and any effort to rebel against it as an unsubordination to God."¹⁴³

¹⁴²Ibid., 37.

¹⁴³Vilas, *The Sandinista Revolution*, 87.

The abuses of the oligarchy, and the governments until the early 1970s were generally ignored by the Catholic Church that too often failed to take up the causes of ordinary peasants and workers. This provided an opening for the Protestant churches (see discussion above), and accounts for the general weakening of the Catholic Church's influence.

"Outsider" Catholic Church priests, brothers, and nuns took up the cause of the poor and abused in Central America. Often this meant alliances with Marxist rebel organizations. Most notably, in Guatemala the Maryknoll Berrigan brothers assisted the Rebel Armed Forces (Fuerzas Armadas Rebeldes - FAR) in the mid-1960s, Maryknoll nuns assisting the poor in El Salvador were killed by government agents in the early 1980s, Catholic Priest Camilo Torres became famous in Colombia for joining the leftist guerillas (his death at the hands of the Colombian government made him a martyr), and El Salvadoran Archbishop Oscar Romero who was killed by government forces in 1980 while giving mass; he had been associated with the left taking up the causes of the poor in El Salvador.

Beginning in the 1960s, the Church began to change to undertake a secular mission. Pope John XXIII's encyclical *Mater et Magistra*, and Pope Paul VI's *Pacem in Terris* were the first steps. Finally the Second Vatican Council's *Gaudium et Spes* took the final step toward a new role that, effectively, politicized the Catholic Church's activities in Latin America. This represented a change in direction for the more traditional priesthood, and required a re-orientation or rationalization.

Gaudium et Spes declared the independence of political from theological judgements: no Christian could legitimize a political choice through "truths of the faith," a formulation that could not but severely undermine the authority of

conservative religious hierarchies. One significant element in the Church's critique of capitalism was a partial return to Patristic doctrine, which stressed the collective origin of worldly goods, and revived the Church's condemnation of the profit-based economy. The demarcating of the political, and social spheres from the strictly religious effectively softened Church attacks on leftist groups, and legitimized the involvement of Church workers in social reforms against the most naked expressions of capitalism. Doctrinal renewal . . . opened the door to cooperation between Christians, and Marxists in political, and social fields . . .¹⁴⁴

The changes brought about by the Church were adopted by the 1968 Latin American Bishops convention held in Medellín, Colombia, and reaffirmed actions that had already been taken in Latin America to address political, social and economic disparity. The adoption gave the Church in Latin America the *imprimatur* to further expand its efforts. These included the establishment of Christian-based communities (CBCs) that were organized mostly in poor communities where the Catholic Church had long before lost the allegiance of the local parishioners to Protestant Churches. The CBCs were made up of approximately 200 members, and often led by un-ordained lay priests.

While this change was not seen as negative by the more traditional, conservative Church, the Church leaders balked at the recruitment of priests, and nuns into a politically active role that included revolutionary activity, and organized protest often in alliance with leftist or communist political organizations.¹⁴⁵ It was this opening that provided the FSLN with a framework from which to recruit members and carry out its agenda to overthrow Somoza in 1979, and to recast the economy policies in Nicaragua toward a mixed system.¹⁴⁶ In any case, dissident¹⁴⁷ priests, and nuns who were sensitive to the needs of the

¹⁴⁴Ibid., 112.

¹⁴⁵Ibid., 115.

¹⁴⁶The CBC system established by the Catholic Church fit well with the later community-based Committees for the Defense of the Revolution (CDR) set up by the

people, and the economic disparity were willing participants. The FSLN's earliest leaders were all at least nominal Roman Catholics, and they never denounced the Church per se; rather, they embraced Liberation Theology as a tool to further its own agenda.

Cardinal Obando y Bravo was the head of the Catholic Church in Nicaragua, and as a conservative church leader had followed the tradition of finding accommodation with the established governments in return for, at least, nominal support. The Somozas were always careful to protect this relationship, and benefitted from it with the presence of Catholic officials during official government events. However, by the mid-1960s the increasing reality of the growing disparity in Nicaragua, and the impending revolution along with the changes in Catholic Church mandates (Liberation Theology) forced a change in his direction of the national Church.

In the earliest days of the revolution, the presence of "foreign" priests in Nicaragua, and the splitting away of Nicaraguan priests was troubling to Obando y Bravo. During that period he was critical of their unwillingness to tow the line of his traditional conservative approach. However, when the inevitable victory of the FSLN was apparent, Obando y Bravo kept a low profile until he could formulate a new path.

Somoza Debayle's Postscript

Anastasio Somoza Debayle, after fleeing to Miami with his immediate family and entourage, eventually settled in Asunción, Paraguay. Although he was murdered in

FSLN governments which were modeled on the Cuban example. The CDRs were designed to reveal anti-revolutionary activity, and serve as a quasi-official administrative arm of the FSLN government.

¹⁴⁷In Cardenal Obando y Bravo's definition.

Asunción in September 1980 by what was believed to be Argentine leftist guerrillas,¹⁴⁸ he managed to complete a book with American co-author Jack Cox titled *Nicaragua Betrayed*.¹⁴⁹ (See review in Chapter II.)

That book serves to provide some understanding as to his distorted view of the condition of Nicaragua, and his mis-guided actions to retain control despite all odds. It was the Organization of American States condemnation of 23 June 1979 that convinced him to give up his cause. During the vote, only Nicaragua, and Paraguay voted against the declaration. Chile, El Salvador, Guatemala, and Honduras abstained¹⁵⁰. The “Resolution Project” of the Seventeenth Consultation Meeting of [American] Foreign Ministers proposed by Costa Rica, the United States, and Venezuela among others, included “Immediate, and definite replacement of the Somoza regime . . . [and] Carrying out free elections as early as possible that lead to the establishment of a true democratic government that will guarantee peace, freedom, and justice.”¹⁵¹

Somoza had lost control because of his own actions as much as because of the efforts of the FSLN and Broad Opposition Front; however, it is important to understand that he still had his supporters both within Nicaragua who became silent, and outside of Nicaragua—those largely among his loyal, former GN forces who had joined in the Contra

¹⁴⁸Merrill, 38.

¹⁴⁹Anastasio Somoza and Jack Cox, *Nicaragua Betrayed* (Boston: Western Island Press, 1980). (Western Island Press is the publishing arm of the John Birch Society.)

¹⁵⁰*Ibid.*, 265.

¹⁵¹*Ibid.*

force to spoil the FSLN victory. This residual support extant even today, serves to explain the complex political forces in Nicaragua.

Very privately, many in Nicaragua will voice support for Anastasio Somoza Debayle, and his government. This is particularly true of both Moravian, and Catholic Church functionaries who saw his benign and very careful treatment of religion in Nicaragua as positives.¹⁵²

Those who live in the eastern regions of Nicaragua (Mosquitia) are particularly pro-Somoza because the Somoza dynasty always adopted a sort of hands off benign attitude toward the region; the FSLN, on the other hand, was very aggressive in its failed attempts at controlling the region, and attempts at political “re-education” of the people because of their known support for the Contras.

It could be argued that the Somozas used the Church as an extension of political power through that process—no doubt there existed a symbiosis that will probably never be revealed through more than anecdotal knowledge. However, it is clear from his book that Anastasio Somoza Debayle saw the Catholic Church as having too strong a sense of entitlement in the political process. In particular, he criticizes Cardinal Miguel Obando y Bravo, who as Bishop of Managua on the date of the devastating earthquake on December 1972 in Managua, assumed an independent, non-cooperative role in the relief effort. Although Somoza states that he invited Obando y Bravo to serve as vice chairman of the relief committee, Obando did not attend. “Each group (NGOs, and other organizations), but particularly the Red Cross, and the Catholic Church wanted to do its

¹⁵²Such sentiment was related to this author during research visits to Nicaragua between June 1998, and December 2003; however, respecting their requests for anonymity, their names are not provided here.

own thing. This simply could not be. There had to be cooperation . . . Otherwise, there would have been chaos.”¹⁵³

It is very probable that Obando y Bravo had by that time seen the handwriting on the wall, but most probably he was carrying his duties as Bishop of Managua under the general guidance of Rome.¹⁵⁴ Above all, it has always been clear that while Archbishop Obando y Bravo serves his church first, he is a pragmatist in approach to difficult circumstances. Further, while it could be argued that he follows the long-term tradition of the Catholic Church allying itself with the *de jure* or *de facto* heads of state, he nevertheless is willing to take positions. Usually, his strategy has been one of resistance and tacit approval for those prefers. Not to be overlooked is the clear record of trading favors of support for greater access to the Nicaraguan people. No doubt, Obando y Bravo believes such a strategy is, in the longer term, the most effective. At present-day example of such an exchange is Obando y Bravo’s silence in supporting the Bolaños government while he actively has representation at opposition rallies and ceremonies held by the PLC, the FSLN and/or the pacto.

Observations on Nicaragua’s Conditioning

As with any nation, historical experiences condition political culture. Nicaragua’s experiences are conditioned by a long history of political unrest punctuated by nature’s

¹⁵³Ibid., 11.

¹⁵⁴Lino Gutiérrez. U.S. Government relief after Hurricane Mitch was purposely funneled through Catholic Relief.

handiwork. The most recent historical experiences are most influential in conditioning the behavior of domestic independent variables. This is especially true because the demographics of Nicaragua, due in part to the Contra War, reveal that more than fifty percent of the population is under the age of 15 years old. Therefore, their cognitive memory goes only back to the later days of the Chamorro administration, and that which they may have heard from their older family members. Unquestionably, they are at least aware of the reasons from Somoza's downfall, and while living in poverty are aware of the failures the Bolaños' administration and his adoption of the neoliberal solution.

The subtle, and least understood dynamic that is part of the youthful Nicaragua psyche today is a sense of political empowerment that it is a legacy of the FSLN period. This extends to most of the population, but the constant presence of Daniel Ortega serves to remind the youth of the FSLN period when Nicaragua defied the United States, and that the neoliberal agenda now being implemented by President Bolaños, and championed by the United States is the true cause of poverty, and social inequities. The one-sided argument is a recipe for another round of social revolution unless neoliberalism shows results. The impatience of the young is no doubt fueled by their ready access to the many television programs received in Nicaragua from Costa Rica, and other relatively prosperous states.

Nicaragua's historical role as step-child of the United States, and use as a political, and economic pawn do little to settle the political stomach in the today's neoliberal world. It should be no surprise that there have been extreme reactions to outside forces, and that the United States is held in a skeptical light. This alone conditions the domestic

independent variables that will finally influence the outcome of the neoliberal agenda undertaken by the Bolaños administration.

Since 1990, Nicaragua has had to acquiesce to the external demands, but the habit developed long before. Even with a modest recovery, it is clear that the Nicaraguan electorate may seek yet another path not unlike that first initiated by General Zelaya, and later politicized and energized by the FSLN. The most recent flexing of political muscle of the Constitutional Liberal Party, and Sandinista Front, either jointly or independently, points in that direction.

What developed after the election of Violeta Chamorro in 1990, and the condition that most Nicaraguans find themselves today will be the most important determinants, and influence on the internal domestic variables in treatment of neoliberalism.

Leaving motivations aside, the post-Cold War dominant states led by the United States seek to restore Nicaragua's potential as a full participant in the neoliberal model. The current iteration of the relationship is more abstract but just as important to those states as it was during the Cold War. Skeptics of neoliberalism would predict that Nicaragua, in full bloom, would return it to the classic neocolonial dependency relationship in the North-South theory context.

This manifests itself today in Nicaragua. It is a HIPC case that has the attention of state, and non-state actors alike. IGOs such as the World Bank, the IMF and IADB as well as a panoply of NGOs seek to guide it toward economic recovery, and reintroduction into the world's globalized neoliberal model.¹⁵⁵

¹⁵⁵While not a subject of this work, it is clear that the international consensus is that first world states have some mix of moral obligation, and economic interest to fully restore the potential of states such as Nicaragua.

As with any state, its behavior, actions, beliefs, and prejudices are formed, and conditioned by historical experience. While such conditioning is not so relevant during periods of economic health and social justice, when states are faced by hard times their historical experiences become more relevant. Such is the case in Nicaragua. Having made the choice to seek another path in 1990, Nicaraguans had an expectation that such a choice would lead to improvement; however, this has not been the case.

While there has been some small improvement, the measures necessary to make the transition to a free-market system demanded by the neoliberal solution have been painful. The memory of the FSLN period that raised social consciousness, and the potential for organized political action remains fresh. This legacy of self worth, and empowerment is in contradiction with the powerlessness of the people or government of Nicaragua as the neoliberal agenda takes hold. Thus, with historical memory and a newly learned sense of self worth, the lack of progress must be accompanied by extreme frustration. These factors influence how the most important domestic independent variables will proceed with the neoliberal agenda, but they also are ingredients for yet another revolution.

CHAPTER IV

NICARAGUA AND NEOLIBERALISM 1990-2006

Since Violeta Barrios de Chamorro's election to the presidency of the Republic of Nicaragua, the political influences of the Cold War dissolved and reformed into economic issues and, most recently, the war on terrorism. Russia has joined NATO as an associate member but more important it has given up its old political/economic model in favor of the promises of neoliberalism. It is now a full member of the G8 and, while not an economic powerhouse *per se* as are the other members of the G8, its full participation signals the permanency of the neoliberal agenda even though there are holdouts.¹

The few hold-outs from this agenda are inconsequential, but more important those states that had subscribed to the Marxist or neo-Marxist models must now make the adjustments necessary to survive. That represents both a transition dilemma and an opportunity for states such as Nicaragua.

¹It is difficult to discern whether President Hugo Chavez' populist rhetoric in criticizing the United States is home grown or an extension of his friendship with Fidel Castro. His rhetoric is filled with vitriol that reminds one of Castro's caustic and animated anti-U.S. speeches during the 1960s, 1970s and 1980s. However, by any observation, Castro has moderated his tone and taken on a less militant posture. Picturing Castro in a formal suit greeting the Pope at Havana's San Martin Airport is a sight that could not have been imagined; this brings one to wonder how the current Pope would be treated by Chavez at Simón Bolívar Maiquetía International Airport that serves Caracas. In any case, Castro's Cuba remains as one of the few holdouts for communism. In combination, Chavez and Castro reminds us of the Cold War period in which the Truman Doctrine was operative. Having psychologically passed through the Cold War, U.S. policy makers must be bewildered as to how to deal with Chavez even though Castro has been effectively bottled up.

The July 2005 plenary meeting of the G8 heads of state in Gleneagles, Scotland had at the top of the agenda the task of how to integrate those states such as Nicaragua. In fact, despite terrorist bombings in the London underground during the conference, the G8 conference concluded as it had begun: a firm commitment to find a way to (1) rescue HIPC states and (2) work toward their full participation in a neoliberal world economic model. There was remarkably little dissension as to the ultimate goals, and that dissension had more to do with recognition that internal commitments and structural reform must take place in those HIPC states before any further application of funds or in-kind help be provided. Put in simple terms, the dissenting voices were insisting on an internal bootstraps approach be undertaken as a first priority.

Unquestionably, the Nicaraguan electorate voted against the failed mixed-model, Marxist-inspired FSLN program in favor of a not well understood neoliberal model. In truth, the people of Nicaragua, as with other HIPC states, had little choice. However, Nicaraguans took that step.

The implementation of the neoliberal agenda has been another matter entirely because of Nicaragua's long-term conditioning and its domestic independent variables that modulate the expected results of neoliberalism. This important collective force—the domestic independent variables—fits with the dissenting voices heard at Gleneagles.² One often-heard criticism of the commitment to provide \$60 billion to Africa relief was that unless corruption in those HIPC African states be brought under control, the effort will

²Steve Schifferes, "Can G8 be considered a success?" BBC [web] News, 8 July 2005. Available [Online]:<http://news.bbc.co.uk/1/hi/business/4663659.stm> [14 October 2005].

have been wasted. This and other dissenting comments speak to the dynamic of the internal variables that are at least half of the equation.

Despite a poor understanding of the neoliberal rubric by the general Nicaraguan electorate and by Daniel Ortega's opposition candidate, the die was cast after the election. However, immediate and long-term internal adjustments that would be necessary were not well understood.

This was the challenge of President Chamorro and those who followed her. The three presidents since Ortega's defeat, Chamorro, Alemán and Bolaños, had to craft policy such that they would not destroy Nicaragua as a viable state but still find a path toward adopting the path chosen by the people.

Unquestionably, as prominent Nicaraguans, those three presidents well understood and understand the obstacles presented by the domestic variables known to them, and likewise understood the residual effect of the FSLN revolutionary period. Perhaps the biggest obstacle, at least in the eyes of a neoliberal proponent was that the adjustment to the new system would take a long period—something for which the general electorate had little patience. The resistance to make a full commitment to neoliberalism by domestic independent variables has been influenced by its apparent failure. Thus, the first president after the fall of the FSLN enjoyed a short honeymoon period but soon afterward was faced with the reality of extreme poverty. Chamorro, followed by the next two presidents, has seen little improvement. Each president, during the *thermidor* period has made incremental progress but at a rate that may not ultimately keep the Nicaraguan people from seeking yet another path.

The *Thermidor* Period: Doña Violeta Chamorro

From the outset of her election in 1990, President Chamorro had few options. Overcome by the extreme financial crisis, impossible foreign debt and the reluctance of private foreign investment, she had to address the expectations of the people who made the decision to remove the FSLN from power. The FSLN government was the very government that stood on its promise to reform Nicaragua's political, social and economic ills.

The conundrum resulted in surprising decisions. In hindsight President Chamorro's decisions seem quite politic. Her most contentious decision was the retention of Humberto Ortega, brother of Daniel Ortega, as the head of the Nicaragua military. While designed to soften the blow to the FSLN and avoid a political crisis, that act of conciliation slowed her program of reforms. However, accommodation with the FSLN was seen as necessary to proceed with President Chamorro's mandate to get on with the business of change. The "Transition Protocol" that laid out the accommodation was authored by Antonio Lacayo, her newly named Minister of the Presidency, was a pragmatic if not Solomon-like approach.³ In retrospect, it is clear that her administration may not have lasted its entire term if it were not for her willingness to compromise and seek reconciliation.

To re-engage the international community, President Chamorro had to make commitments that while reasonable to the outside observer, would also prove nearly impossible to meet given the internal conditions and forces that caused distorted public

³Antonio Lacayo (Minister of the Presidency, Chamorro administration), in discussion with author, December 2003, Managua.

policy. Those forces and the internal policies that were taken by her administration⁴ and the next two administrations (Alemán and Bolaños) have not met the expectations of the people of Nicaragua or the international community; neither has the extreme slowness of the economy to recover been helpful nor signal much hope for the future.⁵

There was little choice since the 1990 election of President Violeta Chamorro but to appeal to outside international aid for help. According to her Minister of the Presidency, Antonio Lacayo, President Chamorro was faced with an external debt that had risen from \$1.6 billion in 1979 to \$12 billion in 1990 with the largest per capita debt in the world on the eve of her assuming the presidency.⁶ In the face of the considerable residual political power of the Sandinista National Liberation Front (Frente Sandinista de Liberación Nacional - FSLN), President Chamorro made concessions that were both pragmatic and political.⁷

President Chamorro had to take great care not to institute free-market reforms too quickly, be careful to retain her political mandate, dance to the tune of would-be international aid (especially that of the Paris Club), and undertake structural reforms and redefine institutions that had been radicalized since the July 1979 FSLN victory. No doubt,

⁴Notwithstanding her most altruistic motives, the challenge was not reform and recovery, but more to provide for a transition toward that end. In that sense, Chamorro's government can be seen as a success by any measure.

⁵In response to a question by this writer on 9 March 2004 in Norfolk, Virginia the Executive Director of the Inter-American Development Bank, José Forquet, admitted that he could see little hope for the near term, but insisted that there is no reason to quit trying programs that might ultimately pull Nicaragua from its quagmire. While his response seemed pessimistic, his determination was as evident.

⁶Antonio Lacayo Oyanguren.

⁷Ibid.

the nearly forty percent vote in the 1990 presidential elections for Daniel Ortega gave impetus to her taking decisions to move cautiously and judiciously lest she suffer an unexpected removal from power—something that was a very real possibility.

President Chamorro's decisions to take care with the FSLN, and to avoid any sense that she would rush to overturn the well-ensconced FSLN membership in the military,⁸ police and national bureaucracy, angered the U.S. Congress and caused critical delays in promised financial support.

The 1990 election of Violeta Chamorro was a surprise to many in Nicaragua, not the least being to Daniel Ortega. To his credit, he was quick to express congratulations and unconditional support for Chamorro although he later partially recanted. After all, Violeta Chamorro had been a member of the original FSLN National Directorate in 1979, and her husband, Pedro Chamorro, former co-owner, and editor of opposition newspaper *La Prensa* who was murdered in January 1979, supported the ousting of Anastasio Somoza Debayle by whatever means.

Chamorro was faced with a failed economy, the need to re-integrate Nicaragua into the greater world economy and politics, plus find a way to reconcile the deep divisions in Nicaraguan society. She was faced with addressing the unmet promises of the former FSLN governments, and the newest mandate of the people to find a way toward economic recovery. In retrospect, her careful and measured approaches to these problems

⁸ Among other decisions aimed at a reconciliation, Chamorro left Humberto Ortega, brother of former FSLN President Daniel Ortega, in charge of the military. This was a factor that caused the United States pause in resuming economic aid; however, it in retrospect, had she not undertaken such steps (included in the Transition Protocol), she may not have had the opportunity to later reduce FSLN domination and the eventual removal of Humberto Ortega).

can be counted as successful because they led to a stabilization that Nicaragua had not seen since before the 1972 earthquake in Managua.

Her success was due, in part, to the astuteness of Dr. Antonio Lacayo, her son-in-law whom she appointed as Minister of the Presidency. Lacayo authored a detente with the FSLN known as the Transition Protocol that left the Nicaraguan Army and police forces in the hands of the FSLN. This satisfied the FSLN because it left the EPS largely unchanged with Daniel's brother, Humberto Ortega Saavedra, still its chief. However, the agreement also stipulated that its strength be cut in half to 42,000 members.⁹

Most important, Chamorro survived as the *thermidor* leader replacing a revolutionary government. She broke the predicted short-term crisis that is theorized by Crane Brinton in his *The Anatomy of Revolution*. Further, she managed to facilitate a relatively smooth transition to a democratic system of government and market economy.

Despite her measured steps and pragmatic approach, her unwillingness to directly challenge the FSLN and its institutions was roundly criticized by the U.S. Congress. This led to delays in expected foreign aid from the U.S. Government. On the flip side, she was criticized by the FSLN for not carrying out the most needed social and economic reforms that had been instituted by the FSLN. This error was seen as the most grave, and that which kept open the door for the FSLN in future elections.¹⁰

In 1995, Chamorro was able to remove Humberto Ortega as the Chief of Military, and by the end of her term in 1996 she had managed to re-engage the major sources of

⁹Plunkett, 32.

¹⁰Carlos Benevente Gómez, Director, Institutional Advancement and Chief Economist, Fundación Augustino C. Sandino - FACS [Augustino C. Sandino Foundation] in discussions with author, October 2002 and December 2003, Managua.

monetary assistance including the United States as an independent donor and some other states. This was despite President George Bush's rejection of her 1992 request for an infusion of \$70 billion; the rationale being that U.S. law forbade any such transaction with a state that had confiscated U.S. private or commercial property.¹¹

Chamorro bought into neoliberalism as a solution to Nicaragua's needs by entering into an World Bank's Enhanced Structural Adjustment Facility (ESAF) that was based on the central tenets of neoliberalism. (See Chapter II.) The ESAF agreement left Nicaragua with a lower dollar foreign loan commitment (\$7.7 billion), and with longer more favorable repayment terms. In effect, the ESAF subordinated Nicaragua to the wishes of the G8. The first agreement was followed in 1997 by the succeeding President Enrique Alemán with agreement to its second iteration.¹²

She took the necessary steps to reduce the public payroll and other public expenditures. As a consequence, she was bitterly opposed by labor and trade unions. While she had reduced the public external debt considerably, and restored some confidence for foreign direct investment, it was at the cost of reduced living conditions and increased unemployment.

Chamorro left office with a foreign debt of \$6.6 billion, considerably lower than the approximately \$11 billion (about seven times its gross domestic product at the time) she inherited from the FSLN.¹³ However, according to the Augustino Sandino

¹¹Commonly referred to as the Helms-Burton Law.

¹²Antonio Lacayo Oyanguren.

¹³Néstor Avendaño, *Nicaragua: Debt Relief/HIPC vs. Poverty* (Managua: Ediciones Educativas, 2003), 3.

Foundation's Chief Economist, Carlos Benevente Gómez, she too willingly acquiesced to pressure from the United States to accelerate economic reform. The result was that under rapid privatization and rapid restoration of private banking, Nicaragua could not compete on its own feet, and the ultimate result was a series of labor strikes, slowdowns and company closures that ultimately led to a crises between Chamorro and the National Assembly.¹⁴

Despite reforms, however, she was not able to attract sufficient foreign direct investment during her tenure. Between 1990 and 1994, Nicaragua attracted only \$20 million in FDI (net FDI inflows minus capital taken out by the same foreign investors), and ultimately failed to get Nicaragua's economy back on track. By comparison, during the same year, Costa Rica attracted \$222 million during the same period.¹⁵

In the beginning, Chamorro was unwilling to acquiesce to all of the demands of the U.S. Government for reform, and not able to overcome the negative consequences of foreign investment losses of the 1980s. Benevente's comments, and calculation (above) relate to her finally aligning her policies more fully with the neoliberal imperatives. From the optic of the FSLN, her acquiescence to the demands were the primary cause of the failure of the economy to improve as much as it should have during her tenure.

This sentiment by FSLN proponents remains in the craw of the diehard FSLN membership, and today, during the Bolaños' administration, represents domestic reluctance to proceed further along the neoliberal path. Further, it is the source of much criticism of the Bolaños' policies while disregarding the terrible state of the economy left

¹⁴Ibid.

¹⁵Benevente, December 2003.

to Chamorro when she assumed power.¹⁶ This is especially poignant for Bolaños supporters who in 2003 attracted \$241 million in FDI.¹⁷ In any case, the Chamorro administration failed to quell domestic demands on the government that had been conditioned by the FSLN during the 1980s.

Her larger and most positive contribution was setting the stage for further improvement and progress. This included a reconciliation, general movement toward economic recovery, re-institution of the Roman Catholic Church's influence, and a general "We will be ok." public sentiment. However, she earned the ire of many female FSLN loyalists who saw her return to "traditional" values as destroying the gains made by women during the FSLN period.

While the UNO coalition that had formed to support her election began to deteriorate after the 1990 victory, today, she is viewed with great reverence, and often referred to with the endearing expression "the lady" (La Doña).

Arnoldo Alemán and His *Thermidor* Role

With reference to Crane Brinton's *The Anatomy of Revolution*, Alemán's election in 1996 led to the further breaking of the "fever" period in which a return to pre-revolution normalcy was the order of the day. Alemán was an ardent Liberal Party member who managed to survive the FSLN period. Alemán and his family had been supporters of the Somozas.

¹⁶An interesting parallel is the resurgence of support for communism, and the return of the old command economy in Russia that emerged during the period of adjustment to its market economy system.

¹⁷Ibid.

In the October 1996 presidential race, Alemán ran on a platform of (1) honesty in government, (2) austerity, (3) setting conditions for “real foreign investment,” and (4) strong subscription to the remedies of the World Bank, IMF and IADB.¹⁸ Much of his tactics was based on his unvarnished admiration of the American way of life and the promise of market systems to save the destitute. He won with a fifty-two percent majority; the runner-up was Daniel Ortega with thirty-seven percent of the vote.¹⁹ With the election of Alemán, he represented a return to pre-FSLN populist politics. As mayor of Managua, in the American model of a big city boss, he slogan was “The mayor who gets things done.” In point of fact, and as later revealed by Nicaragua’s press and his own political enemies, Alemán represented a return to the corrupt crony politics of the Somozas.

Even though he had been briefly arrested in 1979 by the incoming FSLN government, Alemán had managed to expand his family’s coffee interests, and work as a lawyer in Managua during that period. He was elected Mayor of Managua in the 1990 elections, and built his political base from that office.

Much of his reform was superficial, but his frequently seen billboards in Managua advertised him as a populist: “The Mayor Gets Things Done.”²⁰ His constituency, however, was based in the money elite but also included considerable support from the city’s slum dwellers due to his “boss” strategy of distributing favors to the poor in return for support.

¹⁸Benevente .

¹⁹A very similar result in the October 2001 elections.

²⁰Hazel Plunkett, *In Focus Nicaragua* (New York: Interlink Books, 2002), 33.

Following his election to the presidency, Alemán asked for a second ESAF round from the IMF to further reduce economic pressures. He actively courted the international community for continued assistance, and minimally met the conditions of the various programs.

How Alemán operated was not an anathema to the general electorate having been conditioned to such behavior in the pre-FSLN period. Despite the negatives, on balance, Alemán was seen as a reasonable step toward post-revolution recovery. In less than two years in office, however, President Alemán was hard pressed to persuade an increasingly skeptical popular political base to support him given evidence of growing cronyism, corruption in government, his failure to “depoliticize” the national government and relative failure in encouraging foreign direct investment. In part, this was caused by a collapse in the world price of sugar and coffee, both primary export earners for Nicaragua. The difficult situation was magnified by the major natural disaster of Hurricane Mitch.

With the devastating effect of Hurricane Mitch that ravaged Nicaragua’s heartland in late October 1998, the international community turned toward disaster relief, and forgave any delinquencies in Alemán’s government’s failures to meet the previously mandated reforms that conditioned relief. In effect, Hurricane Mitch, a category five hurricane and perhaps the worst ever to hit Central America, provided Alemán a respite that he took advantage of until the end of his term in January 2002 when Enrique Geyer Bolaños assumed the presidency.

In 1999, the Alemán government managed to convince the World Bank that its situation was dire. The World Bank and IMF forgave eighty percent of its foreign debt, and Nicaragua remained on the HIPC list of most distressed states in the world that it had

been on since 1996. (See above.) The ESAF negotiated by the Chamorro government was renamed “Poverty Reduction, and Growth Facility” (PRGF), and required the Alemán government to come up with a detailed plan of action to meet certain conditions that included greater transparency in government, reduction in corruption, structural reforms, austerity measures and redirection of its focus to poverty reduction. This last requirement of the World Bank and IMF Poverty Reduction and Growth Facility was known as the Poverty Reduction Strategy Paper of the Republic.

The HIPC plan was modified to accelerate three critical areas: (1) Deeper, and broader relief, (2) faster relief allowing incremental payments before all conditions were met, and (3) provide for a stronger link between debt relief, and poverty reduction, e.g. to directly channel freed resources to support poverty relief.²¹

While the Alemán government had managed to arrange for international relief, his own political habits were increasingly apparent including cronyism and outright corruption. He had lost all but the most hard-core members of the Liberal Party, and his vice-president, Enrique Bolaños was distancing himself politically as quickly as possible because he had ambitions of his own. This was all despite a favorable World Bank and IMF report that “The debt relief program . . . is the result of steadfast pursuit of sound macroeconomic policies, and structural reforms.” [World Bank President James D. Wolfenson], and “. . . important is the government’s strong ownership of its economic

²¹World Bank. “World Bank and IMF Support US\$4.5 Billion in Debt Service Relief for Nicaragua.”

program, and its commitment to preserving stable macroeconomic conditions . . .” (IMF Deputy Managing Director Agustín Carstens)²²

Alemán’s corruption was the (not unexpected) “reward” for public office inside Nicaragua. However, it was not acceptable behavior for would-be foreign investors foreign governments, and IGO guarantors of a stable and productive economy. This serves to explain why there was such an uproar in mid-1998 when Alemán entered into a pact (*pacto*) with Daniel Ortega, his former sworn enemy, to deny control of the National Assembly to anyone who might defeat Ortega in the upcoming November 2001 national elections.

Through their combined support in the National Assembly under the “pacto,” the two parties managed to make Alemán the President of the National Assembly²³ after his stepping down as president, make Ortega his would-be successor as the President of Nicaragua, and provide protection from prosecution for any corruption charges for Alemán brought by the next government—especially if Ortega were to lose.²⁴

²²Ibid.

²³The Political Constitution of Nicaragua provides immunity from prosecution for members of the National Assembly, and also stipulates that a seat will be reserved for the immediate past president and runner-up in the most recent presidential election.

²⁴It later developed that the “*pacto*” went far beyond what was initially apparent. Because most of the judges, and justices had been appointed by the previous FSLN government, the “*pacto*” controlled all but the most blatant cases; it failed to intimidate or dissuade Bolaños from successfully prosecuting Alemán for corruption. The “*pacto*” has been durable, and manifested itself in the late 2004 maneuver to take appoint powers away from the executive branch. Further, it has effectively handcuffed the Bolaños administration for any legislation that it sees as either prejudicial to the *pacto* or strengthening Bolaños. By February 2005, the “*pacto*” through its control of the National Assembly has de facto encouraged the teachers’ strike that is heavily dominated by FSLN supporters.

By 1998, Ortega's support was more as a personality than as the leader of the FSLN even though he still controlled it.²⁵ In addition to the pact with Ortega, Alemán was busy empowering Cardinal Obando y Bravo, and reopening avenues of influence that included a "free ticket" to re-establish the Catholic radio network in Nicaragua. Alemán's strategy was not unlike that of the Somoza dynasty, a system of mutually supporting deal making.

The legacy of Alemán is dubious. He still controls the Constitutionalist Liberal Party (PLC) from the confinement of his country estate (El Chile), even though he was convicted of major embezzlement and corruption under his successor's government despite the firm FSLN control of the judiciary. Other actions of his successor, Enrique Bolaños, include the late 2002 closing of the "illegal" Catholic radio network that Alemán had arranged. This was much to the chagrin of Obando y Bravo. Populist Alemán left Bolaños a foreign debt of \$6.6 billion (despite substantial assistance from the international community), very little progress in the war on poverty, an unmanageable National Assembly, a questionable FSLN-sworn judiciary, many unkept promises to the international community and a restless organized labor that still holds on to the promises of the FSLN. Perversely, Alemán's poor performance was and is somehow forgotten today, and the "pacto" with the FSLN, while weakened with time, further insulates him from culpability.

²⁵*Envio*, "Three Celebrations, and a Host of Scenarios." Volume 22, number 265. *Envio*. (Managua: Universidad Centroamericana, August 2003), 2. Bayardo Arce (FSLN Directorate) in discussion with author in June 1998; Arce at that time was running the day-to-day operations of the FSLN.

Enrique Bolaños - Progress or Stagnation?

Enrique Bolaños ran under the PLC ticket but with the support of the coalition party known as the Liberal Unity Movement (Movimiento de Unidad Liberal - MUL). He again defeated the perennial FSLN candidate, Daniel Ortega, by roughly the same margin, fifty two percent to thirty nine percent with which Alemán had won with in the previous national election. The MUL was made up of six liberal parties; today the core PLC, the largest of the liberal parties, is still in the hands of Alemán.

Bolaños has an intangible quality, not unlike that of Violeta Barrios de Chamorro, of seeming grand-fatherly (or grand-motherly) that is ingratiating and inspires trust. This enables him to implement policy that would otherwise be difficult to carry out. This characteristic, while difficult to fathom in the Anglo world, fits neatly in the Nicaraguan culture. Likewise, his septuagenarian status spells little long-term political threat to would-be adversaries except that his unbridled enthusiasm for reform has mobilized the “*pacto*.” Bolaños’ greatest appeal is his elderly and respected position in the business community of Nicaragua, and his advanced age that guaranteed that he would have little further political ambition for himself.²⁶ However, despite his platform consisting of the same reforms promised by Alemán plus a transition from a corrupt system of government to a technocracy, he has lost support. This is due, in part to the PLC’s condemnation of him shortly after his taking office, the “*pacto*” and the incessant criticism from his own Minister of the Treasury Eduardo Montealegre, Montealegre’s attacks, while politically motivated, are centered on Bolaños’ house cleaning and strict compliance with the

²⁶The Nicaraguan Constitution does not, and has not allowed a president to succeed himself or herself in office.

conditions set by the World Bank, IMF and IADB in its bid to recover from its own economic crisis.

In the eyes of the public, Bolaños is not an innocent bystander of earlier transgressions. He was Alemán's vice-president, and could not have missed the most blatant abuses of that administration. Further, he was party to the deal making between Ortega and Alemán and creation of the "*pacto*" to retain and alternate political power in Nicaragua between the FSLN and the Liberal Party.

In part, Bolaños has lost support from the general electorate because of his closing the Church's radio station that had been put back on the air by Alemán. During the 19 July 2003 commemoration of the 1979 FSLN victory in Managua, Cardinal Obando y Bravo's personal envoy to the event, Vicar of the Managua Archdiocese Eddy Montenegro, was on the platform with FSLN founder Tomás Borge and other FSLN functionaries all wearing commemorative t-shirts with the picture of Christ in profile. Montenegro offered a prayer: "We ask you, O Lord, that we Nicaraguans, reconciled, and embracing each other in peace, may build the future, forgetting the past, and looking toward the present."²⁷ Such an act by a high Church official does not go unnoticed by the general electorate, and provides further evidence that the Church will undertake political projects as it sees fit.

In August 2003, Bolaños' Vice President, José Rizo, tried to unseat Bolaños during a visit of Bolaños to the Dominican Republic by calling for a "national dialogue." Just after Bolaños' departure, Rizo invited all Nicaraguan Catholic bishops, the FSLN as well as the PLC leadership to participate in the only slightly veiled coup attempt.

²⁷*Envio*, "Three Celebrations," 4.

However, Rizo's plan was foiled because Daniel Ortega leaked the information to Bolaños who immediately put a stop to it.²⁸ The convention was to have been addressed by none other than former President Alemán through a recorded message made from his exile in his country estate.²⁹

While none of this political intrigue would be particularly surprising to most Nicaraguans or Nicaragua observers, it does not speak well for political stability necessary to carry out reforms that will lead to recovery. The trait can be included among the many domestic independent variables that help shape Nicaragua's situation today and predict its recovery.

What is most important in the context of neoliberalism and how Nicaragua's economic success or failure play out is that the three Nicaraguan presidents beginning in 1990 all danced to the tune of the piper. No would-be national leader can reasonably propose an alternative to the neoliberal solution over which Nicaragua has little or no control.

In Chamorro's case, it was a necessary evil, and part of the reconciliation process that she make changes in measured steps to retain sufficient power to effect meaningful change. This included necessary external financial support. In her cautious strategy, she was not ready to embrace the neoliberal rubric, but did so gradually; her greater role was in providing a transition and reconciliation.

²⁸It would seem that Ortega is loyal only to his own ambitions. Most of the FSLN leadership has abandoned the party, and Ortega's pact with the PLC and Alemán is only good until the results of the next national election in which he will probably run again. Ortega likely reasoned that he would have to share the credit (or blame) for a successful coup against Bolaños thereby making it far more difficult at a run for the presidency.

²⁹Ibid.

In Alemán's case, it was a question of pragmatic politics, and at least nominally agreeing to the neoliberal agenda. In fact, Alemán was the first of the three presidents to meet the requirements of the World Bank and IMF for "promotion" to HIPC status. The electorate knew what they were getting with Alemán, but also knew that he had the reputation for delivering results.

In the case of Bolaños, the expectation was that he would follow in Alemán's footsteps but with greater integrity. He represented the old oligarchy but was trusted because of his business acumen, his advanced age (no further political ambition) and the expectation that he would be able to follow up on Alemán's HIPC success. While this developed to be accurate, it is also true that Bolaños has been victimized by his own HIPC successes, his stubbornness or lack of political acumen, and the exaggerated expectations of the people. This is the fodder for Daniel Ortega that keeps him in the running for the next presidential election.³⁰ Further, it has developed that while Bolaños is business savvy he is not as skillful as a politician. His previous PLC support lost to the "pacto" between the FSLN and the PLC has effectively guaranteed that his *dedazo* candidate will not win the upcoming presidential election.

What is certain is that the same domestic independent variables are in play, and any adjustments that might occur will be evolutionary in nature but not because of the will of the people to suddenly find themselves in good condition or the demands of the

³⁰While Daniel Ortega is recognized as the senior Sandinista Front person, the day-to-day operations are left to his number two: Bayardo Arce Castaño. Arce enjoys the prestige of the responsibility and serves as the Front's spokesperson while Ortega carries out the Front's political agenda. The Sandinista Front still owns a number of businesses that include the powerful television Canal Dos through which the Front keeps up its supporting constituency's interest and information. Arce, in turn, benefits from income from the various Front's businesses.

international community. Rather, any transition, however slow, will be conditioned always by Nicaragua's history.

As the neoliberal programs continue to be adopted and structural adjustments are made internally, the pace continues to be too slow to meaningfully alleviate the extreme social, political and economic disparity in Nicaragua. As earlier noted, at the current rate, it will take at least fifteen more years to cut the poverty rate in half.

By any measure, that is unsatisfactory. Such lack of progress provides fodder for Ortega's continuing efforts to gain power once again. Presuming that his motives are at least as altruistic as they are his personal ambition, if he succeeds in winning the next presidential election in November 2006, he will take his place in another *thermidor* role, not a revolutionary role.

The reasons are readily apparent. Ortega will not have the support of the Soviet Union nor its surrogate states such as Cuba. Rather, he will be faced with making peace with the "new" world economic reality and use the FSLN revolutionary period judiciously lest he suddenly find himself in a self-made quagmire of popular support with no means to carry out his agenda. At the same time, his legitimacy as an FSLN leader is being challenged by Dora María Téllez, President of the Movimiento Renovador Sandinista (Sandinista Renewal Movement), who is in alliance with Alternativa Cristiana (Christian Alternative) and the Movimiento por el Rescate del Sandinismo (Movement for the Rescue of Sandinista), and supports Herty Lewites, Mayor of Managua, as a presidential candidate in the next presidential election.³¹

³¹Dora María Téllez, "La alianza en torno a Herty Lewites es una oportunidad única, un capital que no podemos desperdiciar" (The alliance with Herty Lewite's turn is a unique opportunity, capital that we should not waste), *Envío*, No. 265, December 2005.

The important domestic domestic independent variables addressed in the next chapter are those forces that must be addressed. The historic conditioning of the people is, in part, an impediment but those four most important variables driven by the realities of today must be dealt with by Nicaraguan leadership.

(Managua: Universidad Centroamericana, December 2005). Available
[Online]:[http://www .envio.org.ni/quienes_somos.es](http://www.envio.org.ni/quienes_somos.es) [9 December 2005].

CHAPTER V

DOMESTIC VARIABLES AND NEOLIBERALISM

The selected domestic independent variables—the Roman Catholic Church, organized labor, the business community and its instruments, and civil society with the long-term effects of the FSLN revolution—and their effect on the progress of Nicaragua in adopting neoliberalism are presented below. As with the external independent variables (the constancy of G8/Paris Club instruments of power to revive Nicaragua's economy and institute reforms), domestic independent variables can be seen both in combination and acting individually to impede or facilitate the transition. This chapter provides a detailed look at the post-1990 situation, provides further explanation as to why external variables are held constant, provides a pessimistic but objective view of a prominent Nicaraguan economist, presents a short history to summarize the conditioning of the Nicaraguan people, and treats each selected domestic independent variable in the context of its current effect on the adoption of neoliberalism.

The ordering of the selected variables is somewhat subjective but clearly the Roman Catholic Church in Nicaragua is and has been the most enduring institution. The Church was closely identified with its partner in the colonization of most of Latin America serving as a tool of the Spanish crown to subjugate indigenous people, later served a similar role with post-independence rulers, after 1968 took on a more secular role to help the poor and, finally, can be seen in its traditional role of supporting those in power while

simultaneously taking on a more secular role under Liberation Theology to empower the poorest of the society.

The next most important domestic independent variable is seen as organized labor which first became a political entity during the early 20th Century, and since become more politically potent because of its new-found sense of empowerment learned during the FSLN period. Because labor and labor organizations make up the vast majority of the population, their potential influence in the political process can be seen as potent and a source of a new social revolution. This is especially so because the neoliberal agenda adopted since 1990 has required sacrifices from labor yet has not fulfilled its promises of raising the standard of living and decreasing economic disparity.

The business community in Nicaragua is seen as an important force because it has a great deal of influence on the day-to-day conduct of the domestic economy, has chosen to or become involved in national politics and has chosen to adopt the neoliberal rubric as a long-term solution. The business community, while currently aligned with President Bolaños, should be seen as a force in its own right independent of political parties. It has the potential to become disenchanted with the neoliberal agenda of President Bolaños, and attach itself to another political force as it did with the FSLN just before the July 1979 Triumph. Recent events has demonstrated such disenchantment using its control of the media to attack Bolaños' administration.

The most elusive to define but perhaps the most important domestic variable is the collective civil society in Nicaragua. While Somoza dynasty strategy was to silence dissenting voices by ignoring civil society as a whole, operate Nicaragua as a corporate

state and refine crony capitalism to a high art form, the FSLN was able to take advantage of the vacuum left by Anastasio Somoza Debayle.

President Bolaños' problems are due in part to the FSLN's having unleashed civil society as a whole. Civil society as an organized activity can be traced in the modern historical context first to the mid-1970s support of the Nicaraguan bourgeois that had been ignored the Somozas, and to the early post-Revolutionary organization of society. Almost immediately after the Triumph, the FSLN organized what little of what was left of civil society into a form of Cuban-style neighborhood watch committees. The newly formed Committees for the Defense of the Revolution (CDSs) was really a hybrid form of the Cuban system. The CDS system served to extend the FSLN's influence to every level of society by using the system to (1) distribute food and other goods, (2) provide a grass-roots compliance system for the revolution, (3) serve as an administrative arm of the government for low-level governance, (4) organize work projects, and (5) provide a sense of security for the people. In sum, while the central purpose was to retain control of the people, the positive aspect was that the CDS system gave a sense of empowerment to the people that the Somozas had never allowed. The CDS system, known as a "mass organization" in Marxist terminology, also served to insure that the bourgeois would not have opportunity to undermine the revolution. The bourgeoisie that had turned away from Somoza in favor of the FSLN revolution felt betrayed by such a system and later, using the COSEP as its voice, protested to the government that the CDS system (1) had only vague but too often abused powers, (2) impeded free enterprise under the mixed-model system, (3) marginalized the private sector, (4) was a burdensome and inefficient extension of the official government bureaucracy, and (5) betrayed the original program of the

original revolution.¹ Despite these protestations and until the 1990 election, the CDS system was a vital instrumental in creating a sense of civil society and eventually led to the creation of the Coordinadora Civil² in 1998, well after the FSLN had lost twice its bid for control of the presidency. Thus, President Bolaños is faced with growing discontent due to the slow economic recovery, the “pacto” majority in the National Assembly and the political force of Coordinadora Civil.

President Bolaños, in following the neoliberal path, has made a calculation that he can maintain civil order while making meaningful changes in the social fabric of Nicaragua. His calculation depends on his ability to manage the domestic independent variables sufficiently to allow real progress toward a long-term solution despite active resistance and lack of real economic progress.

Those variables, conditioned by Nicaragua’s history and Nicaraguan’s attitudes vis-a-vis expectations developed during the FSLN period, are further conditioned by the long-term acquiescence to the self-enriching Somoza dynasty, longer-term conditioning to corruption, and a relatively brief period of a radically different political and economic system under the FSLN.

External Variables Held as Constant

It is clear that the external independent variables are important; however, for the purposes of this work, they are held as constant. The reasons are many. The mix of

¹Vilas, *The Sandinista Revolution*, 148-149.

²Coordinadora Civil organization web site. Available [Online]:<http://www.ccer.org.ni> [15 October 2005].

external actors is complex and all actors have motives whether altruistic or pragmatic. In any case, the international institutions most heavily influenced by the United States, and even those more neutral IGOs such as the United Nations³ are committed to the full recovery of Nicaragua. The European Union as an independent actor, and its individual member states are also committed to the recovery. Nicaragua has an inordinate number of NGOs in place to facilitate a recovery and attend to the general welfare of the people.⁴ Some home-grown NGOs exist, but most are either foreign or foreign-funded organizations. A common variation is a locally organized NGO that has international ties and outside funding support.⁵

It was at the 1999 meeting of the Paris Club⁶ in Cologne, Germany where the high foreign debt burdens of the world's poorest states were addressed. At that conference the

³United Nations. *Meeting the Millennium Poverty Reduction Goals in Latin America, and the Caribbean*. (Santiago, Chile: United Nations Economic Commission for Latin America, and the Caribbean, December 2002).

⁴While not a subject of this work, there is a body of thought, and literature that holds that NGO actors impede underdeveloped or developing states from the natural processes of adjustment to the post-Cold War environment. The high number of NGOs operating in Nicaragua (mentioned earlier) can be anecdotally observed on the streets of Nicaragua where a large number of vehicles with NGO logos on their sides can be seen. Most prominently seen are UNESCO, European Union, and many local NGO vehicles.

⁵One of the best respected domestic NGOs is the Grupo Cívica Transparencia Ética (Civil Group of Transparency and Ethics). This independent NGO monitors elections, reports on government corruption, and generally monitors any political or governmental irregularities in Nicaragua. In a recent report, the NGO revealed that the public perception of corruption in Nicaragua, Nicaragua placed 97th of the 146 states studies. (First position is best; 146 is worst.) The GCET is a chapter of Transparency International. Available [Online]: http://www.transparency.org/tilac/indices/indices_percepcion/2004/ipc2004_nicaragua.pdf. [22 July 2005].

⁶Club de Paris Cologne Terms. Available [Online]: <http://www.clubdeparis.org/en/presentation/presentation.php?BATCH=B02WP07> [13 November 2004].

decision was taken that Nicaragua's foreign debt would be reduced by 90 percent; however, the cut-off date was set at 31 October 1988—just fifteen months before the Nicaraguan people rejected the FSLN and voted in President Violeta Chamorro who would begin the shift toward a market economy. After the cut-off date, all foreign debt would be restructured at very concessionary rates.⁷ That decision was the starting point for the Chamorro government that negotiated a further cancellation of more than \$11 billion in foreign debt. But despite Chamorro's success and the questionable acts of Alemán Nicaragua, as of late 2003, still had an outstanding debt of \$2.4 billion—an almost impossible obstacle for the Bolaños government.⁸

The creditor states have taken extraordinary steps, and made tangible commitments to the recovery of Nicaragua while tying such efforts to poverty reduction and permanent infrastructure changes that had to be met before implementation. The Bolaños government has been required to submit to a great deal of scrutiny, and come up with what are known as the National Development Plan and its own Poverty Reduction Strategy Facility (PRSF). The mandate of the Paris Club was that Nicaragua use the relief from foreign debt to fund poverty reduction with the long-term aim that would allow it to reach a stage of internal self-regeneration and economic independence. In order to further stimulate Nicaragua's chances to meet the conditions, the Paris Club further pardoned \$215 million in due interest payments on foreign debt that was not included in the Paris Club Highly Indebted Poor Countries debt relief plan.⁹

⁷Avendaño, "Where is the State's Role in the National Development Plan," 22.

⁸Ibid., 23.

⁹Ibid., The Paris Club plan forgave the principal, but not the interest on foreign

In a press release on 4 March 2004 the Paris Club announced that Nicaragua had meet the conditions of the second iteration HIPC plan taking note that it welcomed “Nicaragua’s determination to implement a broad-based, and sound economic program which should provide the basis for sustainable economic growth, and comprehensive poverty reduction.”¹⁰ The press release included language that was as much instructional as hopeful that Nicaragua would use the debt relief to carry out the debt relief program package that it had submitted to the Paris Club as a condition of approval.

The commitment and actions of the international community to Nicaragua’s recovery as a factor in the likelihood of a full recovery for Nicaragua is beyond question, and has been unwavering in both commitment and carrying out agreements.¹¹ Again, the external independent variables when held as constant leave only the domestic independent variables to consider. Not to be overlooked, however, is the experience and history of Nicaragua that influence those critical independent internal variables.

Determinants Driven by History

It is impossible to ignore the cynicism of one of the most highly respected Nicaraguan economists. Néstor Avendaño, United States-educated at Notre Dame,

debt. Strong anti-neoliberal champions would see such actions as a tactic to keep the South states subordinated to the North states; such a view further strengthens the argument that neocolonialism is little different than old-fashioned colonialism.

¹⁰“The Paris Club Agrees to Reduce Nicaragua’s Debt by US\$902 Million in Net Present Value Under the Enhanced HIPC Initiative,” Available [Online]: www.clubdeparis.org [5 March 2004].

¹¹Without consideration of the events of the past few years in which Venezuela and Bolivia has adopted socialist government that are antithetical to the underlying tenets of neoliberalism, Nicaragua seems committed to the a democratic and capitalistic system.

expressed doubt before the approval of the PRSF that Nicaragua would or could keep its commitments. He cited that Nicaragua did not have a published national budget, had only minimal transparency in its budget process, and had, for 2004, only allocated \$120 million of the \$200 million previously forgiven to poverty reduction. Further, he boldly stated that he expects business as usual under the administration of President Bolaños who campaigned on a commitment to reforms. Avendaño predicted that the \$80 million missing balance that should have been committed to poverty reduction programs would be earmarked for Nicaragua's wealthiest and private bankers.¹² He further criticized the Bolaños administration for not actively participating in the drawing up of the overall plans noting that the National Development Plan was "formulated, and drafted without consulting the country's main economic agents, the national producers. . . . Nor does any important political force claim familiarity with the plan."¹³

Avendaño posits that the internal variables are the most critical. His predictions of ultimate failure of the Bolaños' administration are really observations that can be made of previous administrations. They include (1) lack of transparency in government operations, (2) "business as usual" attitudes of the government, (3) failure to consult civil society in planning (including labor), (4) failure to garner popular support or recognition of that need, and (5) ignoring the internal business, and industry sectors. These observations are from his optic as an economist but include socio-political habits that pervade.

What he did not address were other factors that may be too close to his understanding of the problem such as the role of the Roman Catholic Church in

¹²Ibid., 24.

¹³Ibid., 25.

Nicaragua, the long-term political corruption or even the conditioning that took place during the FSLN period. In any case, he makes it clear that the critical independent variables are far more internal than external in nature.

While Avendaño's predictions and criticisms would be of little surprise to most Nicaraguans, it should also not be a surprise to the decision makers in the Paris Club who must have taken a certain degree of such behavior into account, even while dictating terms for agreement. Despite that, in the overall scheme, the international creditor community extend out to more than 50 years.

Even though the external independent variables are held as constant, given the depth of the commitments of the various external actors, there is no assurance that such commitments translate into success in Nicaragua unless the internal variables are aligned in concert with those commitments even over the long term.

Avendaño notes that while the G8 states that have the greatest stake in Nicaragua's future use the term empowerment to signal the participation of civil society in the process, that does not guarantee that it will happen, or even avoid a full return to old self-destructive habits.

The least tangible, and most vulnerable to misunderstanding by the G8 states are those very same key internal domestic variables. They are most difficult to change because they require fundamental changes in the culture of the society that has been conditioned over time by the very different attitude and actions of the outside world before 1990 that saw third-tier states including Nicaragua in a subordinate neocolonial role.¹⁴

¹⁴Nestor Avendaño.

While the effect of pervasive corruption throughout government and civil society as a whole is difficult to calculate accurately in terms of how it affects potential for recovery in Nicaragua, it is a subject that must be treated as a common element in all of the domestic independent variables. Unquestionably, Nicaraguans have some sensitivity to the issue, and this has shown up in an overt way since the 1979 FSLN Triumph.

The increasing sense of the Nicaraguan people in the early 1970s was that the Somoza dynasty was, in fact, a fascist system characterized by corporatism. "Such regimes could . . . promote themselves as long-term solutions to the problems of political order, and as the best possible modes of governance for their societies. . . . [and] achievement of . . . economic development."¹⁵

The Somoza dynasty while engaging in systematic self enrichment with a certain amount of political obsequiousness directed at the United States, sought to remain in power and maintain international legitimacy while promoting a façade as protector of the Nicaraguan people. Because Nicaragua enjoyed periods of prosperity relative to other Central American states during the Somoza period, the Somozas were able to retain sufficient popular support. This was so until the FSLN began to consolidate support from abused peasants, and (later) from the emerging disenchanted middle class, and business community.

With its corrupt practices, the Somoza dynasty coopted labor and labor unions, the Roman Catholic Church hierarchy, various sectors of civil society including the monied oligarchy, and emerging middle class. While such practices were carried out under the

¹⁵Guillermo O'Donnell, and Phillipe C. Schmitter, *Transitions from Authoritarian Rule - Tentative Conclusions about Uncertain Democracies*, (Baltimore: The Johns Hopkins University Press, 1986), 15.

nominal goals of economic development and social welfare, corruption and greed were the lubricants. This is not to say that there exists anywhere a purely altruistic and non-corrupt system, but that the Nicaraguan experience is far more riddled with corruption is important to this discussion.

According to *Transparency International - Coalition Against Corruption 2004* report, Nicaragua ranks with Algeria, Lebanon, Macedonia (Federal Yugoslav Republic), and Serbia Montenegro, and below Russia, India, Gambia, and Tanzania in corruption.¹⁶ The evaluation is based on self perceptions of Nicaraguans— largely those of public officials and politicians. While such an evaluation would seem alarming to a naive citizen of a first-world state, the real meaning is in the pervasiveness of such perceptions and the actual practices.

The Somoza dynasty exercised many forms of corruption—money, and/or political favors to groups that entitled them to participation in corruption, and graft at the expense of the general population. It accumulated a veritable fortune between the mid-1930s and 1979 that consisted largely of cattle, gold mines, sugar and coffee enterprises as well as shipping; they managed public policy to favor those enterprises. It is generally believed that the Somozas, by the end of the dynasty, owned or controlled more than twenty-five percent of all land in Nicaragua, and estimated in value between \$550 and \$900 million at the time of the Sandinista Revolution.¹⁷

¹⁶Transparency International, *Transparency International Corruption Perceptions Index 2004*, 5.

¹⁷Vilas, *The Sandinista Revolution*, 87.

The control of the family fortune, shared by its various members, was managed through its domination of the Liberal Party and command of the National Guard, not to mention the acquiescence of the United States that implicitly enforced their domination. An example of family sharing was the appointment of Luis Manuel Debayle, Anastasio Somoza Debayle's uncle, as the Director of the Nicaraguan National Energy Agency. In that position, it was alleged that he stole more than \$30 million.¹⁸

When threatened, the Somozas were typically adept at maneuvering the set pieces to further enrich themselves while thwarting off any political or economic competition. An early example of such efforts was the considerable political threat of Conservative Party oligarch Emiliano Chamorro. In April 1950, Anastasio Somoza García ensured the survival of the Somoza dynasty through an agreement known as the "Generals' Pact" that, in short, exchanged the very real threat for Conservative presence in the National Legislature, and some key positions in the national government. In effect, Somoza exchanged a share of the state's wealth to eliminate the Conservative threat by giving the Conservative forces a place in the system of corruption.¹⁹

Luis Somoza Debayle managed later follow-on maneuvering to avoid outright political confrontation that occurred after the murder of his father, Anastasio Somoza García. While the younger son, Anastasio Somoza Debayle, held the reigns of the National Guard, Luis put forth a puppet candidate for the presidency in his nomination by the Liberal Party (PLC) in early 1963 of René Schick who was a close family confidant. This followed a five-year economic slump and political unrest in the PLC as well as an increasing Conservative Party threat. Luis Somoza, who had imposed martial law after his father's murder, in the face of the unrest just before the presidential elections in November 1963, reinstated rights including that of free press. This strategy is well known to

¹⁸Thomas W. Walker, *Nicaragua - Living in the Shadow of the Eagle*, 143.

¹⁹Vilas, *The Sandinista Revolution*, 86.

Nicaraguans; Luis Somoza Debayle's true motives are unknown but certainly followed the pattern of manipulation.

Luis Somoza, in the face of potentially damaging dock worker strikes at the port of Corinto, sponsored a minimum wage reform demanded by organized labor. Luis Somoza, and the PLC softened its political rhetoric in the face of expected demands of newly elected John F. Kennedy. Luis Somoza promised and carried out other reforms.

René Schick was elected President of the Republic, and began to carry out surprisingly true reforms; had he not died of a heart ailment during his administration more reforms beyond those approved by the Somozas may have been carried out. In any case, the entire period illustrates the manipulation of the Somozas who stood behind the scenes with both political favors that included graft manipulation rights plus military power.

The FSLN leadership itself was seen as corrupt by some, and this was especially reinforced by accusations by anti-FSLN political forces in 1990 that on leaving power they helped themselves to a piñata (golden parachute) through transfer of public state holding to their private hands. (See earlier discussion.) Even today, it is widely held that still-active FSLN officials are still benefitting from their terms in office. Two of the founding members of the FSLN, Borges and E. Cardenal abandoned the FSLN and only Bayardo Arce remains in charge of the residual organization from that period. In a 16 May 2005 La Prensa news article, the newspaper blasted Arce. "Bayardo Arce Castaño, . . . director of the Sandinista Popular Revolution, enemy of the bourgeois, is today a "bourgeois [actor]" who managed a group of companies with millions in assets. . . . after the 1990 electoral defeat, Arce claimed ownership of FSLN partrimony [assets] of the FSLN. The

“patrimoney” was to survive political forces.”²⁰ The article cites a newspaper investigation that revealed that the FSLN under the management of Arce owns and operates 44 businesses, many of which originated under the FSLN administration and some which are derived from those original businesses. Further, two of the remaining original FSLN directorate, Sergio Ramirez Mercado (vice president during the FSLN period and Henry Ruíz (member of the FSLN National Directorate), have publically admitted to the post-1990 ownership and management of former state properties that the FSLN acquired during its period in office.

There was little doubt in the minds of the electorate that President Alemán who followed her in office would resume such practices. Enrique Bolaños, who succeeded Alemán, was seen as not corrupt, at least to the extreme of Alemán’s practices, because he presented himself as a reformer, and, in any case, was already a wealthy retired businessman. However, he became painted with the same brush as Alemán while trying to carry out his reform programs.

Enrique Bolaños’ 2000 campaign platform included cleaning up government corruption. The plank was much a political move as a step in the clean-up process, and it illustrates at least the recognition that corruption in government is a problem that stands in the way of the neoliberal project of the Bolaños regime.

The boldest step that President Bolaños took was to carry out his threat to prosecute former President Arnoldo Alemán for corruption and graft. Alemán engaged in

²⁰Jorge Loasiga Mayorga, “Sombra de Bayardo Arce Tras Fastuosa Edificio (Shadow of Bayardo Arce over pompous building)” (Managua: La Prensa, 16 May 2005). Available [Online]:<http://www.laprensa.com.nic/archivo/2005/mayo/16/nacionales/nacionales> [5 November 2005].

practices not unlike the Somozas had. When mayor of Managua before his election to the presidency, he was well known for his practices but he was also very popular among for his well-publicized “The Mayor Get’s Things Done” slogan that focused on public works projects in the city. (See complete discussion in Chapter IV.)

The tipping point that committed the Bolaños administration to initiate Alemán’s indictment occurred on 10 September 2002 when the criminal court judge, Juana Mendez, installed by former President Daniel Ortega,²¹ allegedly mishandled the case against businessman Byron Jeréz, an Alemán confederate in graft, such that he could not be prosecuted. Alemán enlisted the aid of the Church to avoid any punishment of Jeréz; Bishop Mata sent a letter to the judge asking for house arrest instead of jail time because Jeréz’ adolescent son was confined to a wheelchair. She granted the request.²²

There was considerable domestic political angst as President Bolaños carried out his promise to prosecute Alemán. Alemán was, and is popular because he presided over the period between 1999 and 2001 of modest economic growth and a slight reduction in poverty; those improvements were largely due to the foreign aid that appeared after the

²¹While not detailed in this work, it is of record that the FSLN carried out its commitment to women in including them in government. Nowhere is this seen more vividly today than in the court system where female judges are serving still their long-term judgeships created during the FSLN period. It is a reasonable argument that the FSLN still holds residual power in the Nicaragua judiciary, and the relatively light sentence handed down in the Alemán corruption case is reflected by this fact.

²²“A Prolonged Duel Between Legitimacy, and Legality,” *Envio* (Managua: University of Central America, September 2002), 1-5. This event is as good an

illustration of complicity between the Church, and corrupt politicians at least in the political sensibilities of most Western democracies.

destruction of Hurricane Mitch in 1998. Most of the growth disappeared by early 2000,²³ but Alemán remained quite popular with the general electorate.

Because of the “*pacto*” between Sandinistas, and the PLC, it was difficult to prosecute Alemán because the FSLN-dominated judiciary and the FSLN/PLC pacto that controlled the National Assembly. The PLC, devoted to Alemán’s cause, tried to weaken the 2000 electoral law reforms. Earlier, Alemán had been hiding behind the Constitution’s provision that a legislator in the National Assembly could not be prosecuted during the tenure of office. Alemán, as leader of the PLC, had been the President of the National Assembly after Bolaños’ election.

When President Bolaños made the elimination of corruption in government a central plank in his campaign, the altruistic pledge was met with general agreement but without expectation that it would be carried out. The sagacious Bolaños surprised Nicaraguans by symbolically carrying out the pledge that culminated in Alemán’s conviction for corruption on 7 November 2003.

The conviction was met with general approbation that included comments by Miguel D’Escoto, former FSLN Foreign Minister, who remarked, “The immense majority of people believe this is a good thing. How can you run a country if you only apply the law to some people?”²⁴ The applause was short lived as Bolaños instituted austerity measures to meeting the conditions of the international community. Given the most recent

²³Ibid., 6.

²⁴Mary Jordan, “Nicaraguan Leader Hails Conviction of Predecessor,” *The Washington Post* (Washington, D.C.: The Washington Post Company, 9 November 2003). Available [Online]: <http://www.washingtonpost.com/ac2/wp-dyn/A47372-2003Dec8?>> [25 December 2004].

developments, Bolaños slipping power points toward a more pervasive attitude about that acceptance of corruption and graft. It would seem that while most subscribe to higher standards, they are also just as eager to support a public figure who they know does not but may otherwise bring them some modicum of comfort.

While D'Escoto could have been seen as betraying the FSLN/PLC "*pacto*," his statement was probably more reflective of an ulterior motive, and the fact that he had begun to distance himself from the FSLN that was becoming more a private project of Daniel Ortega. President Bolaños was especially laudatory about the Nicaraguan high court's decision with a statement that revealed his determination to carry out the campaign commitment.

As the FSLN saw Alemán's position weaken, it shifted slightly by entering into dialogue with President Bolaños. However, the "*pacto*" remained intact but not so strong as to fight off Bolaños determination to prosecute Alemán. As a concession, the incarceration penalty was reduced to no more than house arrest at his luxurious country estate, El Chile.

The long, and short of the history of corruption, graft, collusion and other forms in Nicaragua appears today as "business as usual" despite the public admissions of political and church officials. The permeation of such practices, and the conditioning of the people is such that their level of cynicism is so off the scale that it interferes with the neoliberal agenda. Above all, the neoliberal agenda demands transparency in government, and elimination of corruption. D'Escoto commented further, "Never has something like this happened in Nicaragua," . . . commenting on a judge's verdict that Alemán was guilty of

money laundering, embezzlement, and other crimes. “The frying of the Big Fish . . . helps give the country high hopes.”²⁵

Despite the most altruistic motives of President Bolaños, and his efforts to change the national government to make it more transparent, within a year his own core PLC party²⁶ turned its back on the reforms. Former President Alemán (from his home exile at his country estate), in collusion with FSLN leader Daniel Ortega managed to emasculate Bolaños’ political power through a legislative maneuver.

In late November 2004, the “*pacto*” between the loyalists of Alemán in the PLC, and the FSLN flexed its combined majority in the National Assembly by beginning a two-step process to amend the Nicaraguan Constitution to shift appointment rights to the legislature from the executive branch of government. If the amendment is affirmed in the next (2005) session of the National Assembly, Nicaraguan presidents will no longer have the unchallenged right to appoint major cabinet secretaries thereby reducing the ability of the chief executive to make appointments for the major government offices.²⁷ While the legislation is subject to review by the Nicaraguan Comptroller General, and the Supreme Electoral Chamber, it doubtful that it will be overturned.²⁸

²⁵Ibid.

²⁶Bolaños’ coalition party is made up largely of PLC loyalists, and other anti-Alemán members. It is known as the APRE (Alliance for the Republic Party).

²⁷Ministers, vice-ministers, chiefs of missions or directors of independent agencies.

²⁸María José Uriarte R. “Captain Poder a Bolaños” (“Power taken from Bolaños”), *La Prensa* (Managua: *La Prensa*, edición 23645, 26 November 2004). Available [Online]:<http://www-ni.laprensa.com.ni/archivo/2004/noviembre/26/>>[28 November 2004].

In effect, the seventy-four to vote of the National Assembly re-politicized the selection process by putting it into the hands of the National Assembly, and left the door open to more corruption. Any presidential appointments to high office will be subject to a sixty percent approval of the National Assembly; likewise, the National Assembly will be able to remove any such official by the same percentage vote.²⁹

In an analysis offered by one United States Department of State official, Bolaños has spent too much political capital on confrontation tactics, and lost his ability to wage a long-term program to make lasting reforms.³⁰

While the implications illustrated by the examples above cannot predict the future integrity of Nicaragua's national government, they point toward more of the same. This is especially important because the conditions of most aid, and grant agreements that make up the neoliberal packages require transparency, reduced corruption and legitimacy in government. President Bolaños has taken some steps that will reduce the incidence of corruption including his ordering that the foreign accounts made available to the general public on the World Wide Web.³¹

²⁹While this is much like the United States system in which the U.S. Senate affirms major appointments by majority vote, in Nicaragua the sixty percent requirement almost guarantees that the majority in the National Assembly will be in control of the executive branch.

³⁰Marcela Sanchez, "Crucifying Nicaragua's Redeemer" *The Washington Post* (Washington, D.C.: The Washington Post Company, 9 December 2004). Available [Online]: <<http://www.washingtonpost.com/ac2/wp-dyn/A52649-2004Dec9?language>>. [12 December 2004].

³¹Nicaragua government. National Bank web site. Available [Online]: <http://www.bcn.gob.ni/>. [20 June 2005].

Alemán muddied the waters early on by implying that as his vice-president, Bolaños had participated in a system of exorbitant sinecure salaried positions to retain support. No doubt, Alemán's accusations against Bolaño were designed to divert attention from himself; however, as president, Bolaños escaped scrutiny and he was able to carry out his threat to prosecute Alemán for corruption.

According to newspaper accounts in October 2002, the United States impounded more than \$5 million of illegal Alemán accounts in the United States,³² and the Nicaraguan government audit revealed that Alemán's wife received free services from the state telephone company (ENITEL).³³

To date, President Bolaños' efforts to clean up the government have resulted in generous foreign aid, and debt relief, but a return to "politics as usual" may point toward a slowdown in such assistance. While Nicaraguan politics are not unique for corruption and under-the-table dealings, it is clear that the system ranks particularly low.

In January 2005, Ortega mobilized the FSLN (Sandinista Front) minority in the National Assembly to join with the residual of the PLC still supporting Alemán to challenge President Bolaños. The "*pacto*" was activated because Bolaños took his self-proclaimed mandate to clean up government a bit too seriously with his vigorous prosecution of former President Alemán, and efforts to reduce the influence of serving justices appointed during the FSLN period.

³²“Son 5 Milliones los Congelados en E.U. (Five hundred million dollars are frozen in the United States,” *El Nuevo Diario* (Managua: *El Nuevo Diario*, 12 October 2004), 1.

³³“Estado Pagó Por Obras de Doña Amelia (The state paid for works of Doña Amelia Alemán), ” *La Prensa* (Managua: *La Prensa*, 14 October 2002), 1.

The joining of the two political factions in the National Assembly sought to further emasculate Bolaños as the chief executive of government. It was only through the intervention of the United Nations that the “*pacto*” was nudged into backing off—if only temporarily. The “*pacto*’s” distinctly anti-democratic maneuvering does not bode well; it is clear that Ortega and Alemán understood the reproaches of the United Nations and the international community well. The Organization of American States’ response to the crisis was both feckless and tepid.³⁴ Likewise, it is obvious that the “*pacto*” will continue its efforts to overtake Bolaños’ reforms.

Part of the effort is the threatened reform of Article 68 of the Nicaraguan Constitution that was promulgated in 1985. It recognizes the importance of a free press, and stipulates among its provisions that all supplies, machinery, distribution and any other element necessary to support a free press be exempt from all taxation. The “*pacto*” threatened a constitutional change that would eliminate that provision, and the proposed change was seen as a threat to the freedom of press in Nicaragua.

On 21 January 2005 all Nicaraguan radio, and television stations simulcast a conference of owners and editors of the press in Nicaragua in which they objected to the proposed change. During the broadcast, it was made clear that the participants saw the proposal based on hidden political agendas of the “*pacto*” rather than a legitimate effort to raise revenue. The inference of the proposed amendment is that the press stop its positive

³⁴Marcela Sanchez, “Narrowly Saving Nicaragua’s Democracy,” *The Washington Post* (Washington, D.C.: The Washington Post Company, 13 January 2005). Available [Online]:<http://www.washingtonpost.com/ac2/wp-dyn/A7361-2005Jan13>>[14 January 2005]. The behavior of the OAS with regard to taking firm stands has weakened it as an organization and released the United States to act on a unilateral basis.

reporting on the Bolaños' reforms and increase support for the coalition majority of the "*pacto*."³⁵

While a final assessment is still out on the honesty of the Bolaños administration, his supporters would argue that as an older and highly respected businessman who entered the office already a wealthy person, he is in the best position to clean up such practices. It should be noted that there is ample evidence that the former FSLN directorate provided itself with *piñatas* in early 1990, some with the tacit approval of the Chamorro administration as the price of reconciliation—all of which present difficult problems for Bolaños.

President Bolaños' strengths as a wealthy politician above reproach with an agenda to clean up corruption have also have developed into weaknesses as well. As a PLC candidate for the presidency, he was the *de facto* substitute for former President Alemán who became the President of the National Assembly after the election in 2001. Alemán, in his office as President of the National Assembly, was constitutionally immune from prosecution for corruption; for while he managed to stymie Bolaños' campaign promise to go after corrupt officials including former President Alemán himself.

Thus, Bolaños' hands were further tied by the "*pacto*" between the FSLN and PLC to control politics in Nicaragua. In effect, Bolaños defied Alemán as *de facto* political boss of the PLC, but this caused Bolaños estrangement from the PLC. Bolaños, while finally successfully prosecuting Alemán for corruption and sentencing him to in-country exile to

³⁵Ludwin Loáisga Lopez, "Medios retan a diputados" (Measures retained by deputies), *La Prensa* (Managua: *La Prensa*, 22 January 2005), Available [Online]: <http://www.laprensa.com.ni/egi-bin/print.pl?id=nacionales-20050122-12>>[24 January 2005].

his country-side estate, began to pay the price of his altruistic motives in late 2004. The *pacto* between the PLC and FSLN effectively excluded President Bolaños.

The 26 November 2004 National Assembly vote to reduce President Bolaños' constitutional powers serves as a strong disincentive to would-be international supporters. In his anti-corruption campaign, President Bolaños either threatened to fire or fired a number of high officials; his vigor in carrying out his reform program probably served to reinvigorate the PLC/FSLN pact that is seen by Bolaños, and his supporters as a "deal with the devil" because it effectively empowers the FSLN to manipulate the PLC agenda with the promise to support Alemán and undermine President Bolaños.

The implications of the National Assembly's maneuver to remove the President's powers go far beyond mere "politics as usual" in Nicaragua because the current international programs of support through the HIPC and others are conditioned on a cleanup of government and transparency. The electorate in Nicaragua, it seems, would rather return to the traditional manner of doing business rather than reform the system. In any case, these developments are very alarming to international observers. "European Ambassador Kees Rede said aid cannot be given "to a country where there is institutional deadlock." (and) U.S. Deputy Assistant Secretary of State Dan Fisk visited to express concern about the conflict." Further, the heads of state of Guatemala, El Salvador and Honduras warned that the efforts to remove Bolaños or emasculate his office could lead to crisis.³⁶

³⁶Filadelfo Alemán, "Nicaragua Congress Grants Itself Powers," *Washington Post* (Washington, D.C.: *Washington Post*, Nov 26, 04) Available [Online]: <http://www.washingtonpost.com/ac2/wp-dyn/A15270-2004Nov26?>>[Nov 28, 2004].

Pervasive corruption is the norm that was established long ago, and it would appear that it has become so institutionalized that the efforts of the PLC, and FSLN to weaken Bolaños seem appropriate. This is especially germane given the austerity measures that President Bolaños has imposed in taking a strategic structural approach to economic recovery to assure outside support. Another view would be that the Nicaraguan electorate has become so enured to corruption that it is seen as a remedy to hard times rather than a negative.

This brief recounting of the history of corruption in Nicaragua, and snapshot of a seeming return to the worst of those practices is just that—a glimpse of a damaging endemic crisis that cannot be resolved in one presidential administration. While no state can claim a corruption-free system, the portent of long-term normative conditioning of the body politic vis-a-vis corruption as an expected feature of daily life does not bode well and undoubtedly will affect the critical domestic independent variables that influence Nicaragua's position in a world-wide neoliberal system. The discussion above focuses on political corruption *per se*, but long-term habits extend to all of the domestic variables. Likewise, this is not to presume that corruption is the norm within all segments of Nicaraguan society; rather, it is to observe that corruption, especially among government officials, corporations, public utilities, politicians, the court system and other similar entities is never a surprise. Thus, cynicism prevails among the general population and the people are sometimes forced to participate if they wish to survive. Unlike corruption in north states that usually driven by greed, corruption in Nicaragua can be driven both by greed and the need to survive. Given those hard facts, it is no surprise that Bolaños' plan to clean up graft and corruption at all levels is not especially welcome either by the poor

who depend on patrón relationships and the wealthy who want to perpetuate the system. Graft and corruption, then, can be seen as a constant that cannot be simply ordered or wished away by would-be neoliberal saviors. In any case, such attempts surely are met with secret derision; therefore, it is fair to assume that graft and corruption are constants to a greater or lesser degree in the four most important variables discussed below.

Critical Domestic Independent Variables

The Roman Catholic Church

The most central and enduring institution in Nicaragua is the Roman Catholic Church. While the Roman Catholic Church in the largest context can be seen as having NGO functions, the specific behavior and influence of the Church in Nicaragua is unique to that state and no others albeit that are commonalities with other Latin American states, and the role of the Church. It is impossible to measure the degree of influence the Church has on the people as a whole over time, but it is an absolute that the Church is as much an element of the Nicaraguan people's psyche and experience as any other. Therefore, the Church, above all, must be considered first as the primary domestic independent variable that influences behavior, the political process and the likely role of civil society in Nicaragua's fate.

In a remarkable public confession by the Church that made headlines after Bolaños' election, the Vicar of the Archdiocese of Managua said, "... it would be a sin to try to justify the benefits, and economic and material aid that the religious institution received during the government of ex-President Arnoldo Alemán"³⁷ This statement both

³⁷“Vicario Asegura que Ayuda a la Iglesia Es Ahora Pecado” (Vicar assures that

validates that the Church participated in corruption, and recognizes the impropriety of the Church. That the Bolaños government chose to close the Church's radio station that former President Alemán had permitted puts into question the Church's motives for such a confession given just two days before the closing of "La Poderosa."

With regard to the conditioning of civil society as a whole, Nicaragua is particularly unique. The Church in Nicaragua can be seen as adapting to the needs of its charges, and the splits that occur within the Church are reflections of Conservative versus Liberal activist forces. The Liberal activists in Latin America followed the lead of the 1968 encyclical that the Church become more proactive and secular in mission, while the Conservatives remained in the more traditional role. All of this played out in Nicaragua, but in no sense can the Church be seen as either a corrupting force or a bystander. At the same time, it is clear that the Church is caught up in the political process. The Somoza political strategy extended to the coopting of the Roman Catholic Church that had until the 1970s a synergistic mutual support system that emphasized the "blessing" of the Church for the Somozas as beneficent rulers. In turn, the Church was allowed to operate with little restriction making its own decisions with regard to how it spent its funds, run its schools and to what extent it cooperated with the Somozas. The most senior Church officials were always present at public events during the Somoza period, and the Somozas were ready to use the Church as a willing partner especially with regard to maintaining the loyalty of the poor. According to Carlos Vilas, "... the hierarchy, and the clergy spread

help to the church is sinful), *La Prensa* (Managua: *La Prensa*, 12 October 2002), 1. Such an admission is a remarkable departure from the Nicaraguan Catholic Church given the impunity with which it has operated, but always with acquiescence of the forces in power. Chances are that reasons that it made such an admission will never be known, especially in view of the fact that President Bolaños is not seen as a strong supporter of the Church.

Christianity of submission to the temporal order. The dictatorial power was in effect presented as a product of divine will.”³⁸

It was under the direction of the Pope Paul VI³⁹ in 1968 in the form of “Liberation Theology” at the Medellin Bishops’ Conference (officially CELAM II - Second General Conference of Latin American Bishops), and the growing unrest of some more radical priests who later appear in the FSLN leadership. The grudging approval of the then Obando y Bravo,⁴⁰ interrupted but did not break the tradition of Church cooperation with the state.

In keeping with the direction of the Vatican II Council expressed in its Decree on the Apostolate of the Laity “The laity must take on renewal of the temporal order as their own special obligation. Led by the light of the Gospel, . . . let them act directly and definitively in the temporal zone.”⁴¹ Pope Paul VI energized CELAM II in Medellin with a proactive instruction that the church in Latin America involve itself in the political realm.

In his opening homily, Pope Paul VI exhorted the Church in Latin America to “[T]ake a position . . . united in plan, and intention for the defense, and elucidation of the truths of the faith . . . Do not be afraid. . . . open wide the doors . . . the boundaries of

³⁸Vilas, *The Sandinista Revolution*, 87.

³⁹Elevated in Pope in October 1978.

⁴⁰Obando y Bravo was named Archbishop in 1970, and named to the College of Cardinals by Pope John Paul II in April 1985.

⁴¹Quentin L. Quade, , ed., *The Pope, and Revolution - John Paul II Confronts Liberation Theology*. (Washington, D.C.: Ethics, and Public Policy Center, 1982), 130.

State, economic, and political system.”⁴² It was this event that is usually cited as the real start of the proactive nature of the Church in Latin America, and the implicit conjoining of Latin American Marxists in the central mission of reforming the extant systems to promote opportunities for social and economic equity.

The dialogue that began with that common ground manifested itself very quickly through the appearance of activist priests who subscribed to the Marxist solutions, and implemented the exhortation of Pope Paul VI. Their activism became a major force that both enlisted support for the FSLN in Nicaragua and enlarged the Church’s membership. The joining of activist priests under the rubric of Liberation Theology with Marxist-inspired revolutionaries became an important force in Nicaragua for the FSLN, and can be seen in the early FSLN junta membership.⁴³

During the FSLN period, the Church’s formal leadership in Nicaragua was reluctant but acquiescent; Liberation Theology tenets began to take hold. While Obando y Bravo held a welcoming mass for the newly installed FSLN government in July 1979, he quickly retreated from his initial support taking a role in criticizing the government when it did not live up to its promises to liberate the oppressed. During Obando y Bravo’s retreat, the activist priests such as Miguel d’Escoto, and Ernesto Cardenal began to influence mainstream Christianity in Nicaragua under the banner of Liberation Theology while

⁴²Quade, 55.

⁴³Outside of Nicaragua, well-known activist priests such as Camilo Torres in Colombia, and Gustavo Gutierrez in Peru became martyrs (Torres), and spokespersons (Gutierrez) for the movement. Also, many others joined the movement who were focused on the other liberation movements including racial, and gender issues.

Obando y Bravo using Biblical passages in his homilies sent subtle messages of criticism of the FSLN for its own class prejudices.

Christian-based communities (CBCs) became the central method of organization, and also served as a political tool for the FSLN to gain support. For all apparent purposes, the more traditional role of the Church in Nicaragua had vanished until the 1983 visit of Pope John Paul II⁴⁴ to Managua where he publically admonished Ernesto Cardenal.

Ernesto Cardenal describes the moment as staged public humiliation⁴⁵ According to him, the Pope's words on refusing the kissing of his papal ring by Cardenal was, "You should regularize your situation." He repeated it again to make sure that Cardenal heard the admonishment clearly. Cardenal wrote that he had the blessing of Obando y Bravo, that the admonishment was unfair, and it was only later that the Church prohibited priests from such political activity.⁴⁶

It soon became clear that the message was more than an admonishment of one priest's actions; rather, it was an admonishment of the People's Church⁴⁷—the commonly used name for the branch of Roman Catholic priests who both subscribed to liberation theology, and supported the FSLN.

Pope John Paul II's March 1983 defrocking of the priests who were members of the FSLN government including Ernesto Cardenal, Fernando Cardenal and Miguel

⁴⁴Interestingly, during Alemán's administration, critical accusations were made by his own internal PLC opposition that the Church's historical relationship of supporting autocratic dictators had returned. Obviously, the activist Liberation Theology priests had made an impact outside of just the FSLN bounds.

⁴⁵Cardenal, 421.

⁴⁶Ibid., 423-424.

⁴⁷Sometimes referred to as the PCLT (Popular Church of Liberation Theology).

D'Escoto sent a clear signal. Further, the later the naming of Obando y Bravo in 1984 to the College of Cardinals left no question as to Pope John Paul II's position on liberation theology, and cast a very critical eye on the FSLN leadership.⁴⁸

In his book, *La Revolución Perdida*, Ernesto Cardenal complains bitterly that during the Pope's 1983 visit the Pope compared Nicaragua to Cold War Poland, and that the Pope should have known the difference. Cardenal claimed that it was the Pope himself who created the rift in the Nicaraguan Church, and was complicit in the eventual downfall of the FSLN in the elections of 1990.⁴⁹

The Church's role in modern Nicaragua should be seen as politically engaged, and taking sides. In a sense, the symbiosis between the pre and post-FSLN periods can be seen as a sort of corruption or at least, in the United States context, a mixing of Church and state roles. During the FSLN period, the radical branch of the Roman Catholic Church in Nicaragua was prominent both in its membership of the national-level ruling group and its engaging community-based Liberation Theology that favored the FSLN central ideology.

⁴⁸Pope John Paul II elaborated on his view that the Church should stick to its primary mission, and stay out of politics. That is not to say that he did not criticize capitalism for its excesses. Likewise, he did not embrace Marxism either. Rather, he held both political systems responsible for each system's excesses that impoverished, and dehumanized people. In an address to CELAM III held in Puebla, Mexico in January 1979, Pope John Paul II condemned the Marxist connection of the Church remarking that Christianity is not reducible to Marxist categories (Quade, 74), and that "[T]he Church wishes to stay free with regard to competing system, in order to opt only for man." (Quade, 76.) In his visit to the United States in January 1995 he somewhat more obliquely criticized capitalism's excesses, and spoke to the issue of poverty in the United States that is hidden by wealth. In his visit to Cuba later that month, he, and Fidel Castro, who identified Cuba as a secular state (not Marxist or atheist) sought to reconcile differences; no doubt the Pope's central mission was to re-energize the Catholic Church in Cuba.

⁴⁹Cardenal, 427-448.

Under the Bolaños administration, the role of the Church is far less prominent. However, senior Church officials are seen at events supporting Alemán, and what remains of his PLC support.

In February 2005, the Church once again agreed to arbitrate conflict between the dominant political forces that control the National Assembly (the *pacto*), and the executive (President Bolaños) thus thrusting the Church back into political limelight as if by fiat of the people. While it is not clear whether Church officials interjected themselves into the role as arbiter, what is clear is that the Nicaraguan people see the Church as a valid player in such political roles. In the United States context, this seems an extreme violation of the “wall of separation” but in Nicaragua this is little more than business as usual.

Organized Labor

On the surface, it would appear that organized labor has evolved normally if not erratically since the late 19th Century. (See Chapter II) Labor has organized by function around issues of pay and conditions.⁵⁰ However, what is not as obvious is the success that the ruling oligarchies have had in manipulating organized labor through duplicitous tactics and manipulation.

Organized labor was a critical piece in the Somoza grand plan to gain and retain power in Nicaragua. In its program to control the economy of Nicaragua beginning in the 1930s, the Somoza dynasty, variously suppressed, manipulated, facilitated and finally locked down labor, labor movements and labor unions in Nicaragua until July 1979.

⁵⁰Arguably, the FSLN also coopted organized labor while most of its earliest support was unorganized labor in the countryside; the boost that brought them to power was from the middle class that turned its back on Somoza.

Perhaps one of the interesting aspects of the Somoza dynasty was that a variety of unions developed during that period were overtly socialist and communist inspired movements; however, it should well understood that such developments were always part of the Somoza calculus. Also, because Nicaragua is and was an agrarian economy, its most powerful unions were either agrarian worker unions or quasi-professional cattlemen's associations which the Somozas controlled.

During the brief presidency of Luis Somoza Debayle who succeeded his father after his father's assassination in 1954, the government turned away from its earlier tactics of manipulation and suppression of those labor elements that would oppose the dynasty. It was Luis Somoza who loosened the reigns, and allowed the emergence of a labor element that ultimately identified with and supported the FSLN. From the optic of labor, the victory of the FSLN in July 1979 forecast increased influence for the labor class in Nicaragua whether organized or not. Labor strikes and general support for the FSLN had contributed to the downfall of the last Somoza and the ascension of the FSLN, and labor was very motivated by the positive aura of the FSLN and its program of labor reform.

In fact, the FSLN carried out promised labor reform but in its mixed economy model and adherence to Marxist tenets of state ownership labor found itself in unfamiliar territory. Probably the most significant early act of the FSLN Directorate was the confiscation of the substantial Somoza family holdings including the best agricultural land in Nicaragua. This land was redistributed to there-to-fore landless peasants to great effect. However, not unlike the similar actions of the early Castro government, the redistribution often resulted in poor agrarian production due to economy of scale and equipment issues,

and evidence abounds today of poorly maintained confiscated private property (means of production) that have never fully recovered.⁵¹

The FSLN made early reforms in labor law including equal pay for equal work and other reforms that are generally accepted in the modern developed economies. In effect, the FSLN labor reforms moved the relationship between owner and worker from an old-fashioned patrón system to one of state-guaranteed protections. While this shift in relationship was eagerly if not somewhat clumsily adopted, the more conservative, wealthy business, agrarian and industry oligarchy saw it as threatening, but were reduced to the whims of the FSLN Directorate and the implementation of a mixed model economy.

Organized labor in Nicaragua understood that the FSLN brand of Marxism was as much a political as economic doctrine. According to some current Nicaraguan labor union officials, labor saw itself as voluntarily coopted into the new FSLN government and a part of the movement to facilitate reforms under a Marxist-dominated mixed model economy. Today, much of the residual allegiance to those attitudes remain central to organized labor in Nicaragua—especially for those who were loyal to the FSLN doctrinaire approach to centrally managed economic systems.

The legacy of the FSLN period with regard to labor can be seen as both positive and negative. On the positive side, most would agree that labor reform was a must for the new FSLN government, and in the long term necessary for its economic. Reforms put in

⁵¹As with the early Cuba experience following Castro's victory, land reform and redistribution led to a great deal of inefficiency largely due to economy of scale issues. The result was considerably reduced production. In Nicaragua, inefficiencies in the cattle industry were due, in part, to a black market in beef, e.g. slaughtered cattle that otherwise would have been part of a managed herd.

place by the FSLN governments remain on the books today, and provide for the basis of both expectation and further reform.

The FSLN-written political constitution, with amendments, is still in force, and contains language from that period. Chapter V, Labor Rights, of the Political Constitution of the Republic of Nicaragua (formal name), articles eight to eighty-eight outline basic labor law that includes (1) right to work, (2) equal pay for equal work, (3) remuneration in national currency, not barter or trade, etc., (4) guarantees of workplace safety, health and hygiene, (5) eight-hour work day with both national holidays off and payment for “13th month,” (6) equal opportunity for promotion, and (7) inclusion in the national social security system and remediation for on-the-job injuries plus maternity leave. Other provisions include child labor law, rights to organize, rights not to join a union as a condition of employment, and requirements that employers provide written contracts.⁵²

It was until the advent of the FSLN revolution supported to a large degree by labor, that labor was given recognition and power under the new FSLN-written Nicaraguan Political Constitution and labor law that was developed from that core document.

Organized labor had a major role in the expulsion of Anastasio Somoza Debayle, and it re-organized around the FSLN model in the exercise of its rights of legitimacy in civil society as a whole. In particular, organized labor became more effective in its demands because the introduction of Marxist-inspired forms of strategy.

⁵²The tradition of the thirteenth month pay, known as the *aguinaldo*, compels employers to pay employees an additional separate payment, usually in mid-December just before international mothers’ day, of one twelfth of previous pay earned during the year. Before the guarantee, many employers simply avoided payment.

Before the FSLN revolution, organized labor was weakened by the Somoza strategy. Anastasio Somoza García's intervention in the Ingenio San Antonio (San Antonio Sugar Mill - ISA) labor strike (See Chapter II.) is the first example of the strategy that the family dynasty would employ to coopt labor. Somoza García managed to simultaneously satisfy labor demands, and coopt the Obrerista movement,⁵³ and save the economic interests of the oligarchy in keeping Nicaragua's largest export industry (sugar) in operation.

Somoza's labor arm newspaper, *La Tribuna*, published his prediction "in late 1943 that the USSR 'was going to lead humanity's way.'"⁵⁴ At that moment in history, the Soviet Union was an ally of the United States against Germany, hence Somoza felt comfortable coopting the left-leaning labor movement to overcome the increasing opposition from the conservative opposition led by students, business, the conservative oligarchy and professionals. In short, Somoza gave his tacit approval for the emergence of the PSN from its semi-clandestine status to champion labor demands that he was ready to meet for labor's political backing.

During the Somoza dynasty, government agents and a system of political favors kept the labor unions under control, and used labor to balance the growing conservative opposition. In the April 1944 PSN workers' and peasants' congress, Somoza launched the event with a speech that included what seemed at the time as genuine but today is known to be hypocritical and self serving. Somoza García, in his speech, said "I have desired to

⁵³The obrerista movement had form beginning in the early 1920s that was focused on the establishment of workers' rights, paid vacations, workers' compensation, and the right to organize.

⁵⁴Gould, 47.

inspire hope, and faith in the weather-tanned farmers who work from sun-up to sun-down in the fecund task of sowing the earth, and in the workers in the shops, and factories, as in the mines, who with their sweat, and blood add to the national wealth in nights without stars.”⁵⁵

In the context of the time, such actions, and rhetoric can be seen as a healthy and pragmatic political response; however, the long and short of the strategy was that manipulation and exploitation of labor continued, but the strategy of Somoza García was understood by the PSN and its supporters. The battle for the loyalty of workers, most particularly at the all-important San Antonio Sugar Mill, continued. Somoza, in his usual duplicitous style would simultaneously arrest Somoza loyalists labor leaders for misdeeds, and keep the mill operating for the benefit of its conservative oligarchy ownership all the while espousing general support for the *obrerista* movement.

Somoza was rewarded with conditional support from the PSN and the ISA workers in part because their labor demands were codified into labor code by the 1944 Nicaragua Congress. However, just before the labor code was to take effect at the end of March 1945, the ISA owners fired 300 union members and the entire Somoza union leadership cadre.⁵⁶

ISA workers, and former workers and the residual of the PSN that was later outlawed provided grist for the FSLN revolution. It was labor, and peasants who joined with the cognoscenti and disgruntled middle class that turned the tide of the revolution against the Somozas by joining the Sandinista cause. It was the FSLN’s early commitment

⁵⁵Ibid., 48.

⁵⁶Ibid., 51.

to improving the lot of the everyday Nicaraguan including promulgation of labor laws, and a new constitution that validated the FSLN's motives, and even today maintains the allegiance to the FSLN model of labor, and labor unions—particularly the National Federation of Workers (FTN),⁵⁷ Nicaragua's largest, and most active labor union. The FTN continues to support the FSLN agenda and demand strengthening of established workers' rights, and labor law that were first promulgated under the FSLN.⁵⁸

Because Nicaragua is not a highly industrialized state, its labor force did not have a sufficiently strong organization to make a difference on its own. Most of the industry is, and was artisan in type, not centralized nor highly vertical in organization. It was this weakness that, in part, allowed exploitation by the Somoza dynasty. With the FSLN revolution came a more structured, and methodological organization and strategy with a clear political basis—Marxism. As the FSLN championed the labor cause, it gained a strong

⁵⁷For all intents and purposes, the PSN and FTN represent the same labor force, and politics. That the PSN evolved into the FTN was due to the efforts of the FSLN during the 1975 to 1978 marshal-law period to consolidate the Frente Obrero (workers' front - a Maoist group), and the FSLN (the Maoist tendency, and the proletariat faction). The murder of the La Prensa owner/editor Pedro Chamorro in January 1978 was the impetus for final cooperation of the two groups taking an overt stand against the regime of Anastasio Somoza Debayle with closing of the ISA, still the most important single agro-industrial activity in Nicaragua.

⁵⁸Leonardo Lezama Castillo, *Derecho Laboral Básico -FNT* (Basic labor rights - FNT) (Managua: Comisión de Educación del FNT, January 2003). Basic labor law, as written during the FSLN period, is contained in Chapter V of the Nicaraguan Political Constitution. *Nicaragua Political Constitution*, 8th Edition, 2002 (Managua: Editorial Jurídica, S.A.), 28. Labor rights include all of those demanded by the PSN, and later delivered de jure by the FSLN. Other labor rights can be found in Chapter III ("Social Rights") of the Constitution that includes references to rights to education, health, work, security, equal treatment, and related civil liberties, and rights. In January 2003, the FNT, with the funding of a Danish NGO, published an elaboration of labor and social rights that are codified in Law 185 (Nicaragua Labor Code) that puts in plain language what is contained in the Constitution and labor code.

support arm. As mentioned above, this led to quid pro quo when the FSLN rewrote the Nicaragua Constitution in 1985 adding considerable rights to workers⁵⁹ plus instituting labor rights laws. By the end of the decade, labor strongly identified with, and supported the FSLN.

When Violeta Chamorro won the 1990 presidential election, organized labor suffered a crisis of identity because the fundamental underpinnings of its organization had been removed with the departure of the Marxist FSLN government. Likewise there was a backlash in some labor sectors against the Marxist inspired labor organizations. The strategy of the major labor organizations was to seek out an independent identity, and autonomy from the new government.

The neoliberal agenda that ensued hurt organized labor because the organized labor in the public sector was reduced considerably and unemployment rose. In any case, however, the majority of organized labor holds firm to the gains made during the FSLN period, and identifies with the FSLN, and Daniel Ortega.⁶⁰

While the FTN is the largest, and most all-encompassing labor union in Nicaragua, there are many other workers' unions that generally are opposed to neoliberalism as a national policy, and hold on to the promises made during the FSLN period. These include the AMPRONAC (Association of Women before the National Problem) now known as the AMNLAE (Nicaraguan Women's Association, Luisa Amada Espinosa), the ATC

⁵⁹*Nicaragua Political Constitution*. The first edition was promulgated in 1985. The basic labor law is fully elaborated in Chapter V.

⁶⁰Guillermo Leiva (retired Nicaragua Sandinista Popular Army political officer, political observer and writer active in the FSLN), in discussions with author, October 2002 and December 2003, and email exchanges in November 2004 and December 2005.

(Association of Agriculture Workers), the National Coalition of Women (CNM), various professional unions operating under the umbrella of the FTN and a number of associations designed to protect the Constitutional indigenous rights of the Miskitos. With the exception of the last group, these unions and organizations are focused on pay equity, working conditions, political access, and similar issues that were championed by the FSLN.

Generally speaking, organized labor has not been a problem for the Bolaños administration. However, recent strikes for higher pay by public school teachers seem to point toward a change in what has been passive behavior. The neoliberal adjustments reduced the public payroll and the willingness of the national government to dispense raises for support. This process began with the Chamorro administration, but has now come to be growing problem for the Bolaños' government, and represents a strengthening of support for Daniel Ortega in his perennial quest for a second term.⁶¹ Further, the residual of the FSLN with its organic television station (Channel Two) is always ready to exploit opportunities presented by labor issues.

Business Community

The Confederación Superior de Empresas Privadas (COSEP - National Chamber of Commerce equivalent) was a powerful instrument of the last Somoza, Anastasio Somoza Debayle, until many of its members turned away from that affiliation in the mid to

⁶¹Although the FSLN was in power from July 1979 until the 1990 election of Chamorro, the constitutional government established by the FSLN in 1985 was the only period in which Ortega was officially the president of the republic.

late 1970s due to the excesses of his failing regime.⁶² Despite the turn in allegiance, the COSEP was no friend of the Sandinista regime either as the FSLN government sought to turn to a mixed economic model as it nationalized many industries and confiscated property in the name of the revolution.

While COSEP survived as an organization of the most powerful business and industry leaders in Nicaragua, it was tainted by frequent accusations that it was funded by and acted as an agent for the Central Intelligence Agency during the Sandinista period from 1979 to 1990.

Today, the COSEP's closest ally is President Enrique Bolaños who, even as Alemán's vice president and president of the National Assembly before his election as president in 2002, served as a vehicle to further dismantle the vestiges of the Sandinista economic model and restore a full-market economy.

The Somoza dynasty took great care to develop the business community in Nicaragua all the while giving the greatest perks to the old, wealthy oligarch families that owned the major means of production and the major commodities export businesses such as the Ingenio San Antonio (ISA) in Chinandega. The Somoza fortune, outside of its graft

⁶²The seminal event that turned the business community from supporting the Somoza regime was the 1978 murder of Pedro Joaquin Chamorro who was the majority owner and editor of *La Prensa* newspaper. Chamorro was killed in downtown Managua on his way to work, and his murder was immediately attributed to Somoza's henchmen led by his West Point-trained son. By that point in time, the Somoza government's censorship of *La Prensa* had reached such a stage that Chamorro had to submit all copy to the government before publication. For the deleted material, Chamorro would often leave blank spaces or substitute ridiculous Hollywood publicity photographs to make the point about the lack of freedom of the press in Nicaragua. Likewise, the murder of the vice-president of the COSEP during this same era was attributed to Somoza. Those events, in combination, guaranteed that the conservative COSEP faced hard choices with the rise of the FSLN.

from control of the state treasury, was mostly in cattle and shipping. The general economic health of Nicaragua was important to the Somozas and they acted to facilitate the big business interests. The Somozas, especially Anastasio Somoza Debayle, recognized the importance of agricultural technology and general modernization, and often sought outside expertise.

At the same time, the Somozas recognized the importance of a strong business class that was key to the overall economic well-being of Nicaragua. Anastasio Somoza Debayle supported the Central American Common Market (CACM)⁶³ that had been established in Managua in 1960 during the presidency of his brother Luis. The signatories to the treaty were Guatemala, Honduras, El Salvador and Nicaragua.

The CACM was an early form of neoliberal trade policy. The CACM eliminated most tariffs on goods between the member states, and otherwise standardized weights, measures and other factors to “harmonize” trade. The treaty stipulated that goods that could be produced in the four-state zone would enjoy duty free status while outside sources of the same products would not; a variation on import substitution. Most important, perhaps, was the recognition in the opening lines of the treaty was that its goal was the improvement of living conditions for the poor.

As with President Bolaños, Luis and Anastasio Somoza Debayle were strongly in favor of good business management practices. They supported the COSEP, and its projects that included the INCAE (Instituto Centroamericano de Administración de Empresas - Central America Institute of Business Administration) that was affiliated with,

⁶³Organization of American States web site. Available [Online]:<http://www.sice.oas.org/trade/camertoc.asp> [20 July 2005].

and under the technical supervision of the Harvard Business School. It was established in Managua in 1964 as a joint project between the Central American republics, and their respective national chambers of commerce but it was largely a project of the COSEP that donated the land for the Managua campus.⁶⁴

The apparent *non sequitur* that the Somozas would support and encourage both the COSEP and INCAE was a part of the complex strategy of the Somozas and their fundamental motivations of self-enrichment. As the business climate deteriorated in the last years of the Anastasio Somoza Debayle regime and Somoza abandoned the business community, the business community drifted toward supporting the early Group of Twelve/FSLN option.

With the return of political democracy in Nicaragua in 1990 came an improved business climate. The INCAE returned to Managua and the COSEP regained its strength

⁶⁴Forrest D. Colburn, *My Car in Managua* (Austin: University of Texas Press, 1991), 50-54. The main campus of INCAE in Managua reduced operations during the FSLN period because it was antithetical to Marxist ideology, and many identified it with the CIA. Most of the operations that confer graduate business degrees have now returned to the Managua campus. During the FSLN period, the MBA operation was moved to and operated in San José, Costa Rica while the Managua operation was reduced to a one-year program in "functional administration." President Kennedy, during a heads of state visit to Central America in 1962 held in San José, recognized the need for a high-quality business management institution in Central America. Kennedy tasked Henry Cabot Lodge (Jr.) to bring the idea to fruition. Lodge gained the commitment of the Harvard Business School and a generous donation of property from several prominent Managua businessmen plus a \$4 million contribution from the U.S. Agency for International Development. The Somozas saw INCAE as a prestigious institution that (rightfully) located in Managua. The family, despite its self-serving motives had always sought the latest management technology; no doubt much of this was influenced by the fact that Anastasio Somoza García had graduated from a prestigious business school in Philadelphia. During the FSLN period, the government used INCAE as a tool to educate FSLN managers, especially those in the Ministry of Agriculture and Agrarian Reform. Jaime Wheelock, the Minister, recognized its value to the Revolution yet still insisted on a "historical context" in the vein of Marxism.

as an organization. President Bolaños is an enthusiastic supporter of COSEP, and COSEP members are equally enthusiastic about the neoliberal agenda.⁶⁵ Of the critical domestic independent variables, it is only the business community that has signed up for complete cooperation.

Civil Society

Civil society in Nicaragua has been conditioned and shaped over the history of Nicaragua since the earliest conquistadores beginning with Pedro Dávila. It is useful to separate the components of civil society in a general way to further elaborate on how civil society as a whole influences domestic policy of today's world in Nicaragua.

In 1980, the last year that accurate statistics could be calculated before the turmoil of the revolution. The Nicaraguan work force was typical for a Latin American state with a similar history; the 1980 data reflect the condition of Nicaragua under Anastasio Somoza Debayle in the last few years of his government. Just before, and after the revolution, there was a great exit of the monied elite oligarchy (minus their land holdings) and a growth of the informal sector that, in today's context, means street vendors and casual labor.⁶⁶

The data reflect the disproportionate numbers in the lower classes. The data shows that about 53.5 percent of the work force in 1980 was non-propertied, and if the propertied petit-bourgeoisie were included, about 71 percent of the entire work force could be classified at subsistence-or-below levels.

⁶⁵Gabriel Pasos Lacayo.

⁶⁶Richard Harris and Carlos M. Vilas, *A Revolution Under Siege* (London: Zed Books, Ltd., 1985), 47. The table in Appendix VII is defined in Marxist terminology by the authors of the source cited.

The data provide a brief summary of the political, and economic class distribution of the Nicaraguan people. What is important to this work is the trend back toward FSLN popular support and the decline in support for President Bolaños' coalition party. While Daniel Ortega has only won approximately thirty-seven percent of the votes in his races for the presidency in 1990, 1996, and 2002 (see earlier discussion), his party is gaining strength. It seems counter-intuitive because the per capita GNP is on the rise (albeit it slight). This reflects a growing discontent at the slowness of the recovery and cynicism toward the Bolaños' government.

In terms of per capita GNP measurement, in 1980 Nicaragua it stood at \$750, fell to \$453 at the end of the FSLN period in 1990, and continued falling; in 1992—two years into the Chamorro administration—the figure stood at \$423.⁶⁷ By 2003, according to World Bank figures, the per capita GNP stood at \$730, and had been on an upward trend since 1999 when it stood at \$400.⁶⁸ To provide a meaningful reference point, it is useful to compare the data to a well developed neighboring state that did not experience the turmoil of the revolution nor the damage from earthquakes and hurricanes. In 1999, the per capita GNP of neighboring Costa Rica stood at \$3,580, and in 2003 it was at \$4,280.⁶⁹

⁶⁷Merrill, 232.

⁶⁸World Bank, "Nicaragua at a Glance," 15 September 2004. (Washington, D.C.: The World Bank Group). Available [Online]:<[http:// devdata.worldbank.org/external/CPPProfile.asp? SelectedCountry=NIC&CCODE=N...](http://devdata.worldbank.org/external/CPPProfile.asp?SelectedCountry=NIC&CCODE=N...)>[11 November 2004].

⁶⁹World Bank, "Costa Rica Data Profile," (Washington, D.C.: The World Bank Group). Available [Online]:[http://devdata.worldbank.org /external/CPPProfile.asp?SelectedCountry=CRI&CCODE= CRI&CNAME=Costa+Rica&PTYPE=CP](http://devdata.worldbank.org/external/CPPProfile.asp?SelectedCountry=CRI&CCODE=CRI&CNAME=Costa+Rica&PTYPE=CP)>[19 November 2004].

In terms of conditioning, the lower economic classes have experienced a long-term existence at or below the poverty line. That is not to say that Nicaraguan peasants, and urban workers do not recognize their substandard conditions, but to observe that since 1980, nearly a quarter of a century, the poor have made no progress and probably do not expect or demand but little progress.

It is interesting to note that the last year of data taken before the FSLN revolution took over completely in 1980, was the highest recorded per capita GNP. This fits quite neatly with Crane Brinton's observations that revolutions tend to occur when there is a rise in per capita GNP, and a loss in confidence and legitimacy in government. (See Chapter II for a detailed discussion.)

Whether the decline during the FSLN period from mid-1979 to early 1990 may or may not be attributable to the shift from a market economy to a command (or mixed) economy system is not relevant to the revolution theory; rather, in the context of Crane Brinton's *Theory of Revolution*, the modest rise in recent years could signal an impending revolution if the current government does not maintain its legitimacy.

Certainly, the signs are not good for President Bolaños; this is reflected in the November 2004 municipal elections held throughout Nicaragua in which the FSLN, and FSLN/PLC *pacto* candidates won fourteen mayorships while the PLC candidates won only two. In 2000, the FSLN and FSLN/PLC candidates won 11, and lost five to the PLC. In numbers of votes at the national level, the FSLN candidates won 641,401 while the PLC candidates won 540,103.⁷⁰

⁷⁰“Las Municipales en Cifras y Datos,” (The municipalities in numbers and results), *La Prensa* (Managua: La Prensa, 9 November 2004), 1.

In a 2004 retrospective, the campaign manager for the PLC (that not affiliated with the PLC/FSLN *pacto*) attributed the loss to several factors. He outlined the factors that including the ongoing influence of former President Alemán who opposes Bolaños, the “splitting” of the PLC into competing factions, the austerity measures imposed by the Bolaños government to comply with the HIPC, and the “crazy rat” which he defined as ongoing subterfuge of the FSLN with Daniel Ortega’s guidance. Sacasa compared the failure to the effects of a lion (FSLN) in a cage with a burro (PLC).⁷¹ In any case, the November 2004 results should serve as a wake- up call to the PLC. The mayorship of Managua (won by the FSLN candidate) is often the path to the presidency. Such was Arnaldo Alemán’s path.

The state of civil society in Nicaragua is not altogether negative. In a very proactive move outside of the influence of the United States or the Nicaraguan government, a group of organizations formed into a coalition known as the Coordinadora Civil. This occurred in 1998 just after Hurricane Mitch that cut a path of destruction through northern Nicaragua to the Pacific coast. The immediate goal of the coalition was to provide organized relief to the devastated regions but it has survived into an organization with a larger vision of sustainable development.⁷² This organization’s stated goal is to create a condition of “sustainable human development.” The organization is comprised of just less than fifty member organizations that include the NGO network in Nicaragua, regional offices from each state or territory plus some project specific

⁷¹Luis Felipe Palacios, “PLC Analiza Su Derrota” (“PLC analyzes its downfall”) *La Prensa* (Managua: La Prensa, 9 November 2004), 1.

⁷²Coordinadora Civil official web site. Available [Online]: <http://www.ccer.org.ni/> [23 August 2005].

organizations that were originally formed during the FSLN period such as the Asociación de Mujeres "Luisa Amanda Espinoza" - AMNLAE, a women's rights organization that existed in another iteration as a part of the FSLN before the Triumph. If all of the membership including suborganizations are counted, approximately the CC is comprised of about 350 members.

The CC has its own web-based news network and has frequent press releases meant for local consumption.⁷³ As a proactive organization it takes part in international organizations, and participated in World Bank and IMF talks in early 2005. During the those meetings the CC objected to the siphoning of HIPC funds meant to address the extreme poverty in Nicaragua to help pay off foreign debt, and accused the World Bank and IMF of being complicit in the decision to use those funds for other than that originally intended.

The CC can be seen as a newly developing voice that presents both a challenge to the Bolaños' government and to the would-be power, the FSLN. This is because it represents the will of civil society while not participating in the policy-making process of the government. While its activities can be seen as proactive in a "loyal opposition" spirit, its unofficial status impedes any meaningful positive support to the neoliberal agenda, and the CC is an irritant that neither Bolaños nor the pacto can control. Likewise, the FSLN, except for its limited influence through the CC membership organizations that were inspired by the FSLN revolution, has little control either.

⁷³Ibid., Available [Online]: http://www.ccer.org.ni/noticias_cc.htm [15 October 2005].

In the largest sense, the CC is a healthy component of the post-revolutionary, newly evolving domestic reality that includes the adoption of neoliberalism. The CC's acceptance or rejection of measures toward the neoliberal agenda's full implementation will affect if, whether, or how slowly or quickly the agenda will be adopted.

Summary

Except for the business community, the most critical domestic independent variables are still in a state of flux, and do not seem to be focusing on the larger goal of Nicaragua's recovery. The other domestic independent variables, short of outright rejection, are weighing in against full acceptance of the neoliberal program.

The Church remains divided despite the return to its original role under the thermidor phase, but the eventual normalcy with reference to the Church's political role under Crane's prediction that it will resume its pre-revolutionary role seems to be occurring. The evidence is that the Church, as the leading domestic independent variable and underlying engine of political behavior, has undertaken a renewed secular role not in the Liberation Theology sense, but in the partisan political sense. Certainly, Bolaños' closing of the El Impacto Church radio station as a part of the Alemán corruption cleanup was not politic, and probably accelerated the willingness of the church to engage in partisan politics. Also, the former priest members of the original FSLN government are still highly respected and have a voice today. While many of those priests have made negative comments about the final strategy and outcome of the FSLN revolution, all of them can and do participate in influencing the general electorate. In effect, the Church still

has not found its new role in the current circumstance, but any direction it takes still influences the neoliberal agenda.

Organized labor and, indirectly non-organized labor, benefits from the programs put in place during the FSLN period. As labor sees those rights either abused or eroding in the name of neoliberalism, it becomes more proactive in the political arena. Recent teachers' and health workers' strikes are an example of that—strikes that would have never been considered or even possible during the Somoza dynasty. More important, labor as a component of civil society in the larger sense, both perceives and has a sense of political empowerment. Organized labor and labor in general find acceptance or rejection of the neoliberal agenda (including a reversal of some rights and privileges seen as immutable) will certainly affect neoliberal implementation.

The business community, especially that represented by the COSEP, while generally in favor of free enterprise in the larger sense, is a (re)growing influence on the political process. Arguably, its pro-capitalistic tenets reflected in the COSEP name are obvious, and it never changed from that position. However, its participation in the so-called Third Front in support of the FSLN, gives the business community a curious dilemma. On the one hand, it must support Bolaños and his neoliberal agenda, but on the other hand, as the economy suffers (even discounting the human suffering that accompanies it), the business community suffers likewise. Thus having been betrayed by the FSLN in the post-revolution period and suffering under the slowness of the economic recovery in the thermidor period, it presents a potent force that must be recognized as a key to the eventual adoption of neoliberalism in its largest sense.

Civil society, as a whole, represents the best and worst for neoliberal proponents. The worst is that the FSLN-influenced “new awareness” of the CC’s membership will be resistant to the neoliberal agenda as it challenges the downside of structural reforms that, at least in the short term, seem to prejudice the very people who already have suffered the most. On the positive side, the CC is comprised of domestic NGOs such as the Committee for Ethics and Transparency in Politics (one of the NGO sub-members) that speak to the highest principles of representative democracy. In combination, then, the CC and its general membership, after the dominant influence of the Catholic Church can be seen potentially as the strongest voice that will finally influence the neoliberal agenda in Nicaragua.

The combination of these four internal independent variables is by means all inclusive as to what affects the internal dynamic; however, they represent the major forces that influence how, when and if the Nicaraguan people are ready to embrace neoliberalism. Unquestionably, one could argue that there is some psychological fatigue in having already made such radical shifts since the election of President Chamorro in 1990. During the Sandinista period, these four variables were polarized with the most obvious being between the business community and organized labor.

The more amorphous civil society can be seen as taking pragmatic steps to reduce the disparity in all areas including poverty and education. In the post-1990 period, these four variables have softened the polarization. While not measurable, the most obvious aspect of the attitude of the people is that they simply want to get on with life without the disruption of civil war, embargos and United States efforts to bring about change in the post-Cold War environment that include political manipulation. The current debate about

the FTAA is about the United States as acting in its own interests, and can therefore be seen as suspect. However, Nicaragua bought into the DR-CAFTA regime with some concessions to agriculture.

Given that these four component variables as a group recognize the inevitability of neoliberalism, then the task at hand should be how to facilitate Nicaragua's entry into the regime without damaging itself but still making progress domestically. As obvious as that may seem, the residual effects of the FSLN period (especially in the area of workers' rights) still represent a polarizing force. It is difficult for a Nicaraguan politician to tell a worker in the "Free Zone" working for a Taiwanese business making garments that such an approach is an improvement. The task at hand for any politician in Nicaragua is to somehow convey the larger goal of neoliberalism while, at the same time, asking the people to be patient.

CHAPTER VI

OBSERVATIONS AND CONCLUSIONS

The failure in Nicaragua, while not unique in Latin America or with other south states, is case specific. Although easy to generalize common characteristics, it is far more difficult to parse the differences for the implementation of focused solutions. Recognizing that each south state is unique is not enough. Likewise, recognizing that south states have similar negative characteristics such as pervasive corruption is not enough because it leads to blanket solutions.

The World Bank and IMF programs set out tailored benchmarks in the Nicaragua HIPC strategy, but they are still conceived in the insulated atmosphere of altruistic international bureaucrats even if they have easy access to Nicaragua and its government. Further, the Nicaraguan administrations that are required to formulate planning based on HIPC instructions and guidance are constrained by their own technical skill, motivations and access to all aspects of the society; something that is not so easily accomplished in an atmosphere of political instability.

This is not to impugn the motives of the various IGOs, and NGOs, nor the integrity of the Bolaños' administration but only to question the failed result. The difference is that a deductive approach to observe failed results may be more useful than an inductive approach that predicts: "X" must equal "Y"; therefore, Nicaragua should fully recover in "Z" fiscal quarters.

It is the failure of the international community dominated by the G8 states that leads to a larger question in the minds of Nicaraguans who see neoliberalism as a tool of the capitalist states that has led to even greater disparity in the long term. This, in turn, leads to the question of whether some other approach is more viable. Such is the appeal of Daniel Ortega who, while he failed with his mixed-model programs, still appeals to the greater Nicaraguan sense of self worth and industry. This is not to endorse either Marxism or capitalism; rather, it is to posit the question that lingers in the minds of Nicaraguans who are pondering the question whether their election of Violeta Chamorro in 1990 was a mistake.

Nicaragua's National Political Psyche

The United States is potent and great
 When you shake there is a deep temblor [earthquake]
 that passes through the enormous vertebrae of the, Andes
 If you clamor, it is heard like the roaring of a lion
 Hugo already said it to Grant: The Stars are yours . . .
 You join the cult of Hercules to the cult of Mammon . . .
 Be careful. Viva Spanish America!
 There are a thousand cubs loosed from the Spanish lion
 Roosevelt, one would have to be, through God himself,
 the fearful Rifleman, and strong Hunter,
 to manage to grab us in your iron claws.
 And, although you count on everything, you lack one thing:
 God!¹

Nicaraguans hold their most famous poet, Rubén Darío, in great reverence as a national hero who expressed the national psyche like no other. As an early modernist, he

¹Rubén Darío, "A Roosevelt," 1904, Translated by Bonnie Frederick. Casa Poema Famous Poetry Collection. Available [Online]: <http://judithpordon.tripod.com/poetry/id184.html> [28 February 2006]. See Appendix VIII for complete version of poem in English and Spanish.

expressed the realities and dilemma of the Nicaraguan people, and their relationship with the United States in abstractions that, while typical of the modernist, must have been difficult to grasp in 1904. However, the power and emotion in Darío's "To Roosevelt" is easily understood today.

Darío's treatment of Theodore Roosevelt in the poem is a lament, admiration and criticism. The lament and criticism are that the United States is heartless in the exercise of its strength and influence, and fails to consider the human plight. Inferentially, like Pablo Neruda in "The United Fruit Company," Darío makes reference to classical literature in part to refer to misused power of the past. He sees the United States as powerful, and capable but subscribing to greed and ill-gotten riches ("cult of Mammon") as the ultimate motor for action, and "Godless" in character. His analysis is complex but clear. Darío's view of the United States, while now one hundred years old, is not unlike that seen today in Latin America. Thus, the cynicism conditioned by events of the past, and the failure of neoliberalism to bring a recovery or give hope for one is easily understood but difficult to measure. It is that cynicism, not addressed in this work, that may be the most influential overriding factor of all other domestic independent variables.

The frustration that the United States is on the one hand is responsible for the plight of Nicaragua, and on the other the only entity powerful enough rectify the dilemma. In the context of neoliberalism, the United States as its primary proponent has failed. That Nicaragua and other HIPC states have no other choice but to join the neoliberal solution adds to the frustration.

While impossible to quantify or otherwise characterize except through such poetry the failure of Nicaragua to move forward can be laid at the feet of the long-term

relationship between Nicaragua and the United States. This is not criticize the motives of the United States, and its Paris Club/G8 allies; rather, it is to reflect on how cynicism in Latin America can affect the domestic variables as neoliberalism is invoked as the only solution for recovery.

Constancy of the Neoliberal Agenda

The rejection of French and Dutch voters to ratify the European Union Constitution in spring 2005 signals a movement away from globalization and neoliberal solutions.² However, other signals such as the G8 finance ministers' recommendation on 11 June 2005 point strongly toward a continuation of the neoliberal solution.³ Simultaneous to the failure of those EU Constitution referenda were the strong efforts of the Bush administration to move forward with the DR-CAFTA ratification by the U.S. Senate. It was ratified by the U.S. Senate in June 2005 and passed by the U.S. House on 28 July 2005 after acrimonious debate and a close vote.

In October 2004, Great Britain's Chancellor of the Exchequer Gordon Dawson announced the International Monetary Fund's intention to make substantial debt

²While not a subject of this study, it is worth observing that the current economic system in the European Union includes substantial subsidies for farmers as a form of protective tariffs. Such received knowledge, at least in the eyes of south states upon whom neoliberalism is being forced, leads to cynicism. The south states' view, no doubt, is that the G8 is hypocritical in outlook, and, "What is good for the goose, is good for the gander."

³The top two agenda items selected by Prime Minister Blair as the host for the summit conference were debt forgiveness, and revisiting the failed Kyoto Protocol regarding incremental carbon emissions that was opposed by the United States. As expected, the result of the conference was consensus on the first point, and a vague agreement on the second point to further study alternate solutions.

forgiveness for the third tier states such as Nicaragua. He repeated the commitment for Great Britain in May 2005 that would devote .7 percent of Great Britain's national budget toward alleviation of world-wide poverty.⁴ The commitment of states such as Great Britain in alignment with the commitment of the IMF and earlier statements by Kofi Annan, UN Secretary General, point toward an unconditional and long-term effort to raise third tier states from economic destitution and extreme poverty.⁵

On 10 and 11 June 2005, finance ministers from the world's first tier G8 donor states met in London in preparation for the upcoming July 2005 G8 summit in Gleneagles, Scotland. Their recommendation was to forgive one hundred percent of foreign debt representing a total debt forgiveness of \$40 billion of 18 selected HIPC states that include Nicaragua.

While Japan, Germany and France initially balked at the "no strings attached" forgiveness, they finally agreed under pressure from the United States, Canada and Great Britain. The agreement to cooperate between the United States and Great Britain was

⁴"Gordon Brown, U.K. Chancellor of the Exchequer, and Chairman of the International Monetary Fund's International Monetary, and Financial Committee." (Press Conference Webcast), (Washington, D.C., 2 October 2004) Available [Online]: <http://www.imf.org/external/np/tr/2004/tr041002.htm> [6 June 2005].

Gordon Brown, "Extracts from Speech by the Rt. Hon Gordon Brown, MP, Chancellor of the Exchequer, to the Amicus Conference, Brighton." London: HM Treasury, 18 May 2005. Available [Online]: http://www.hm-treasury.gov.uk/newsroom_and_speeches/press/2005/press_49_05.cfm [6 June 2005].

⁵Most HIPC states are in Africa, and that region is the focus of the G8 for its plenary meeting in July 2005. The four HIPC states in Latin America (Honduras, Nicaragua, Guyana, and Bolivia) are seen as recovering, and manageable while the African HIPC states are not.

brokered during a meeting of Prime Minister Blair and President Bush II, Bush had earlier made overtures to the French for their cooperation.

Debt forgiveness and relief does not represent all foreign debt for beleaguered south states, but there was some understanding that those residual issues would be addressed at a later date. Whether the external actors' motives are altruistic or driven by economic interests, or some combination is less important than the unwavering commitment.⁶ The reforms suggested by the Washington Consensus, and its later iterations provide the framework for neoliberalism, and neoliberalism is a constancy that must be dealt with by third-tier states that find themselves with no other choice except to continue down a path of economic ruin and political turmoil.

This is not to confuse the theory of neoliberalism as originally laid out by Williamson, but to make clear that the Paris Club and G8 use economic instruments of power as a means to implement their version of neoliberalism—the theory that a free-market system with minimal state intervention but strong internal institutions will follow the David Ricardo model of mutually supporting and enriching exchange systems. The comparative advantage model operating without state interference would maximize the incomes of all states, and their citizens. Neoliberalism in the current-day application can be seen as little more than an implementation of that theory with some temporary modifications to give a boost to poverty reduction and a reduction of other social

⁶Particularly important is the effect on foreign direct investment which should be stimulated by the knowledge that such steps are being taken. FDI is a critical piece of the neoliberal agenda that carries out the theory that all states will benefit from trade exchanges.

inequities. The question, then, returns to whether or how such a constant variable will affect a meaningful result. Such is the question in Nicaragua.

On 6 June 2005, in a speech before the Organization for American States in Washington, D.C., Bush made his argument for the approval of DR-CAFTA, and its benefits to Latin American states, and the United States. President Bush advised that the treaty would eliminate about eight percent of tariffs on Dominican Republic and Central American products, and open the region up to duty-free American products. He tied the treaty to further democratization in Latin America as well. "CAFTA is more than just a trade agreement," he said. "It is a signal of the U.S. commitment to democracy, and prosperity for our neighbors, and I urge the United States Congress to pass it."⁷

NAFTA, FTAA (Free Trade of the Americas Agreement)⁸ and DR-CAFTA are extensions of neoliberal economic policy, and seen by its proponents as a foundation for the development of strong economies and democratic political systems. Neither has been proven in the case of NAFTA and, in the case of DR-CAFTA the argument seems unconvincing in the face of the general failure of the neoliberal agenda to improve

⁷Deb Riechmann, "Bush Calls for Democracy in Western World," *The Washington Post*. (Washington, D.C.: The Washington Post Company, 6 June 2005), Available [Online] <http://www.washingtonpost.com/wp-dyn/content/article/2005/06/06/AR2005060601150.html> [6 June 2005].

⁸Hugo Chavez, the Venezuelan president has taken very proactive steps to disrupt the U.S. advancement of the FTAA by publically condemning it and claiming that it is really a ruse of the U.S. Government to help corporate America to exploit Latin America. Further, he has announced plans to operate a powerful radio station aimed at Latin America that will serve an anti-US propaganda tool. During the early November 2005 FTAA heads of Western Hemisphere states held in Argentina, Chavez actively encouraged workers to protest the U.S. efforts to further the FTAA project.

conditions in Latin America.⁹ Nicaragua is a case in point because, among those states in Latin America, it should have the greatest chance to succeed.

Regardless of the failure of the promises of neoliberalism and globalization, there are no convincing arguments that globalization and the neoliberal agenda are not inevitable. The only effective arguments are expressed in the negative, i.e. that the result to date has been a general lowering of standards of living in third tier states and dramatic increases in poverty.

The evidence is overwhelming. Various ad hoc groups, and organizations¹⁰ routinely demonstrate at the various WTO, IMF and G8 conferences, but the evidence for their anti-globalization and anti-neoliberal agenda is largely anecdotal. None-the-less, they provide the counterweight to what otherwise would be an unchallenged assumption that

⁹Guillermo Leiva (retired Nicaragua Sandinista Popular Army political officer, political observer and writer active in the FSLN), in discussions in October 2002 and December 2003, and email exchanges in November 2004. Opponents in Nicaragua, especially FSLN supporters, liken DR-CAFTA as an extension of neocolonialism, and enslavement of the low-paid, semi-skilled workers who are victims of tax-free enterprise zones whose operations are really maquila sweat shops. Because of the fact that the previously strong labor unions in the FSLN period have lost power, and influence the neoliberal government has regained control of labor. However, as conditions worsen, it is likely that a new collective mentality will emerge, and when a strong labor comes along, the calculus will change dramatically.

¹⁰Organizations include Kevin Danaher's Global Exchange, and Ralph Nader's Public Citizen. Influential public citizens include MIT professor Naom Chomsky. These prominent individuals, and NGOs are highly critical of globalization, and the neoliberal agenda, and are often the catalyst for large-scale demonstrations against the WTO, IMF, World Bank, and IMF. Interestingly, an unlikely personage, rock star Bono, has been one of the few who takes a head-on proactive, and effective interest in alleviating extreme poverty, and hunger. He is famous for having accompanied United States Secretary of the Treasury Paul O'Neil to Africa in May 2002 to study the dilemma. In June 2005, he met with President Bush at the encouragement of Secretary of State Rice to appeal for his support to forgive foreign debt of the most extreme cases. Bono is seen by the United States as an altruistic champion for change who put aside politics in favor of action.

globalization is evitable, and the neoliberal agenda is the only long-term solution for third-tier south states. The Nicaragua example in Latin America is sufficient to provide the argument pro or con.

The relative failure of the neoliberal agenda thus far even with the very determined efforts of an inordinate number of NGOs operating in Nicaragua today, begs for explanation. This is especially so because Nicaragua has enormous natural resources, and willing workforce; the failure is a paradox in the eyes of neoliberal proponents, and external benefactors. If neoliberalism were measured by the progress or lack of it in Nicaragua since 1990, it would be seen as a severely flawed solution.

While the consensus of G8 states seems to be that generous programs including comprehensive loan forgiveness are the short and long-term solutions, the counter-argument is that such programs create dependency relationships that worsen the disparity in the long term.

Opponents of such solutions argue that states, as with people, develop dependency relationships despite the best of intentions on the part of donor states or organizations. In political economy terms this can be related to the fundamental dictum of the egalitarian system put forth by Marx: "From each according to ability; to each according to need."

The mixed-model systems approach of the FSLN is weakened, however, by the fact that when it was in full bloom after the United States gave up the Contra war and the FSLN lost its principal patron, the Soviet Union, it was in severe crisis. Further, the very large government bureaucracy of the FSLN in its last years proved to be a detriment to government reform, and in a more subtle but no less important way, permanently affected the way the general population views the role of government.

Nestor Avendaño argues that the large number of NGOs operating in Nicaragua are likewise contributing to a dependency relationships, and ultimately causing the government to ignore critical issues that are state responsibilities. In the neoliberal vein, NGOs are seen as a part of the mix in the neoliberal solution. However, the altruism of the NGOs such as *Medicines Sans Frontieres* is unchallengeable but their presence exists because of need for services not provided by the state. Thus, the argument becomes circular, and any challenges to the benefit of NGO presence in Nicaragua and other south states are met with a great deal of derision.

Those entities that provide unconditional assistance can be seen as both selfless in motive, and culpable as enablers of dependency relationships. Such generalizations are dangerous, especially in view of the fact that many NGOs are focused on empowerment for women, nutrition for children, reduction of domestic violence, transparency in government, crime reduction and the like—all noble in purpose.

Those who criticize unconditional programs to alleviate poverty ignore the fact that the IMF/World Bank ESAF project in Nicaragua established certain benchmarks that would incrementally release funds as benchmarks were reached. It is also true that some questions can be asked about the strictness of the benchmark standards. That President Alemán was able to meet the conditions for ESAF is evidence alone that puts into question the standards to which he was held. Even at that point in time, Alemán was well known for his own brand of crony capitalism, and “big city boss” tactics.¹¹

¹¹During his administration Alemán was no friend of the many NGOs. While his official position was that such organizations interfere with government operations, the closer truth was that they interfered with his corruption and kick-back schemes.

In a Heritage Foundation web release addressing the July 2005 G8 summit in

Gleneagles, the opposition to such unconditional treatment was clearly outlined:

President Bush Should Not Sign On to the 'Marshal Plan' for Africa: . . . Gordon Brown [Britain's Chancellor of the Exchequer] plan for Africa has hardly received a ringing endorsement from the British public he expects to pay the bill . . . A large majority of Britons believe that foreign aid is likely to be wasted by African governments . . . [and] have no confidence that "money will be spent wisely rather than being wasted or finding its way into the pockets of criminals, and corrupt government."¹²

The reference to the Marshal Plan makes clear that some rescue is in order, but the Marshal Plan was distinctive in that while it did provide unconditional support, most effort was focused on rebuilding the infrastructure of Western Europe. In any case, there is consensus that the dilemma of south states must be addressed; the dispute is over how.

The U.S. and the UK should form a powerful alliance at Gleneagles calling for the abolition of artificial trade barriers by Western nations. President Bush and Prime Minister Blair should jointly call for the scrapping of Europe's £33 billion (\$60 billion) per year Common Agricultural Policy (CAP), the biggest barrier to Free Trade in the world and a vast welfare system for uncompetitive European farmers. French farmers alone receive a staggering £7 billion a year in CAP payments, 21 percent of the total.[3] At the same time, the U.S. must pledge to end its own (albeit far smaller) system of agricultural subsidies. The United States and Great Britain should advance a vision for Africa that emphasizes political and economic reform on the continent, as well as open access to European and American markets, and which condemns those African governments that tyrannize their own populations. The Anglo-American communiqué must deliver a clear message: only Africa's leaders themselves can deliver their own people from poverty.¹³

The thrust of the G8 summit was focused on the Africa states' emergency, and the United States was participating in its role as a leading member of the G8, but its larger

¹²Nile Gardiner, "The G-8 Summit: Advancing U.S. Leadership on Africa," (Heritage Foundation Web Release WebMemo #784, July 6, 2005). Available [Online]:<http://www.heritage.org/Research/InternationalOrganizations/wm784.cfm> [8 July 2005].

¹³Ibid.

interests lay in Latin America in the long term. European interests are focused on former European colonies in Africa that are now in dire straights; the opponents of neoliberalism would quickly identify the neoliberal/neocolonial relationship between European states and African states as the direct cause, and lay the responsibility for the solution at the feet of the Europeans. The United States is seen similarly culpable in its relationships with Latin American states.

It is clear that the solutions taken at the G8 summit are also the same as would be considered for HIPC states in Latin America. Likewise, the same anti-neoliberal/anti-globalization arguments are used by opponents to the development of the FTAA. Further, the United States is vulnerable in the area of farm agricultural subsidies and subject to criticism. Opponents to the neoliberal agenda see the European Union's Common Agricultural Policy (CAP) as not unlike what the United States does to protect its own agricultural commodities producers in Latin America, thereby strengthening Hugo Chavez' argument against United States' championed FTAA. (See later discussion.)

The Washington Consensus Revisited

While it is not necessary to review the Consensus point by point, it is sufficient to say that since 1990 Nicaragua has taken at least nominal steps to enter the neoliberal strategy. The implementation of World Bank¹⁴ and IMF programs are developed based on fundamental goals of poverty reduction outlined in the Enhanced Structural Adjustment Facility programs. While Nicaragua continues to make progress, it is still well below the

¹⁴The major World Bank division that is responsible for HIPC, and ESAF programs is the International Development Association (Bank).

Central American, and Latin American states' averages in critical areas of poverty reduction.¹⁵

The August 1999 IDA/IMF *Preliminary Document on the Initiative for Heavily Indebted Poor Countries (HIPC)*¹⁶ was critical to the decision to reach the “decision point,” and approve President Alemán’s plan outlines the structural readjustment and reform. These include reforms in the tax system, labor market, social security institutions, financial sector, trade, pricing policy, rule of law, governance, accountability, transparency in management of public finances, poverty reduction, education and rural development.¹⁷

One example of transparency in government is Nicaragua’s executive branch’s very well developed use of the internet to provide data and other information. Likewise, the National Assembly has its own web site that tracks debate and legislation as well as provides email addresses for each of the Assembly’s nearly one hundred delegates.¹⁸ These government and National Assembly sites are interesting because they both reveal the

¹⁵World Bank, *Nicaragua Development Policy Review 3, Sustaining Broad-based Growth* 3 December 2004 (Washington, D.C.: IDA/IMF) Available [Online]: http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2005/02/11/000012009_20050211102015/Rendered/PDF/291150NI.pdf [6 July 2005]. This report in early 2005 provides substantial detail on the status of Nicaragua’s ESAF progress

¹⁶*Preliminary Document on the Initiative for Heavily Indebted Poor Countries (HIPC)*. (Washington, D.C.: IDA/IMF, 23 August 1999).

¹⁷The government of President Violeta Chamorro failed to meet the conditions of the first ESAF which ran from 1994 to 1997. The first ESAF debt relief was granted in March 1998. In September 1998 President Alemán’s poverty reduction, and other structural reforms satisfied the World Bank, and IMF such that Nicaragua was declared an HIPC, and a beneficiary of the programs debt relief regime.

¹⁸Nicaragua National Assembly, home web site. Available [Online]: <http://www.asamblea.gob.ni/> [15 June 2005].

domestic variables at play in debate and unanalyzed information that allows some ability to measure political stability.

A Comparison with Neighboring States

Nicaragua's experience in the past thirty-five years could have been that of any similar Latin American state; however, the highlights of its experience seem more exaggerated. To the casual observer, the historical experiences and conditioning of the peoples of all Central American states are very similar; however, the outcomes are far different. For example, social unrest and economic disparity in El Salvador (similar to that in Nicaragua) in the early 1930s gave impetus to a socialist-inspired people's revolution of 1932, but few immediate reforms and changes were undertaken as a result.¹⁹

The revolution in El Salvador did not bring about a upheaval such as seen in Nicaragua, nor did the United States intervene directly as in Nicaragua. While other Central American states share many characteristics with Nicaragua, they are not the same nor has the result from external support been the same. The table below is very revealing. It provides decade-specific results for the economy's performance that align very closely to the radical changes occurred in modern history of Nicaragua. While the results are not necessarily surprising, what is interesting is how very specifically the expected data aligns with the decades.

¹⁹The Communist Party of El Salvador, and Red Aid led by Faribundo Marti led the rebellion of laborers who were suffering under a repressive system of near-slave wages in coffee plantations. In the 1970s, and 1980s, the leftist group that opposed the El Salvador military dominated governments was named in his honor: the FMLN, Faribundo Marti Liberación Nacional.

Table 2: Output Growth Variations 1960-2000 (Percentage Change)

	<u>1960-1970</u>	<u>1970-1980</u>	<u>1980-1990</u>	<u>1990-2000</u>
Nicaragua	6.77	.35	-1.14	3.28
Latin America and Caribbean change (average)	5.08	4.69	1.21	3.54

Source: International Development Association/International Monetary Fund, *Preliminary Document on the Initiative for Heavily Indebted Poor Countries (HIPC)* (Washington, D.C.: IDA/IMF, 23 August 1999), 30.

Measuring Nicaragua's performance in output growth in ten-year increments is revealing because it demonstrates that relative to the rest of Latin America, Somoza Debayle's "crony capitalism" was effective in result. That is not say that it included social or economic equity, only that overall economy prospered.

The period 1970-1990 shows a dramatic drop in output. That includes the period that began in December 1972 with the Christmas earthquake that wiped out Managua's infrastructure when the FSLN began to gain strength, and finally achieve victory. Worse still is the FSLN period from 1980 to 1990. When compared to the averages for all Latin American and Caribbean states for the same periods, the evidence is very compelling.

The FSLN period, reflects very poor, negative performance that was affected by the Contra War and the various strategies of the United States to bring down the government. However, notwithstanding those pressures, the datum from 1980 to 1990 for Nicaragua seems worse than would be expected given the substantial Soviet Union and Cuba support ; however, the overall average for Latin America was also poor during the period. Remarkable, and an indicator of the potential for recovery plus the effects of the

early neoliberal agenda, Nicaragua was nearly even with the overall average. What is the most evident data set, however, is the relatively large difference in the period 1960 to 1970 for Nicaragua against the Latin America and Caribbean average.

The period from 1991 to 2000 is the most interesting for this work because it reflects competitive growth that began with a severe deficit, a series of devastating natural disasters, and a fundamental change in the direction of government policies to fit the neoliberal agenda. While it is easy to explain the difficulties during the FSLN period, it is more difficult to explain the successes from 1991 to 2000 unless neoliberalism, and its facilitating actions by the World Bank, IMF and IADB are seen as positive forces.

The Nicaraguan governments in power cannot resolve the dilemma by returning to old habits nor can the most powerful domestic forces continue along self-destructive paths. The neoliberal pieces are in place, but can they be arranged in such a manner to remake Nicaragua into a modern, post Cold War state operating in the global market place? A comparison with the experiences of Costa Rica and Honduras are very revealing. Moreover, Mexico provides an early, and long-term example of the neoliberal solution in the form of NAFTA.

Costa Rica and Honduras, as Nicaragua's immediate neighboring states represent both the best and worst result over the long term. Thus, they are used here for comparison in performance but are not subjects for individual examination. Not unexpected, they have remarkably parallel experiences, but the differences are significant. Many parallels can be drawn between Nicaragua and other Central American states over time, but the unique series of events and pressures that influenced domestic independent variables in Nicaragua

are such that Nicaragua finds itself at a crossroads that can only be addressed and resolved through a national consensus and internal cooperative effort.

Since 1948, Costa Rica has managed to become the Central American model of success.²⁰ The state adopted a mixed-economy model that is heaviest on the free-market side, addressed the socio-economic disparity issues, and produced a stable political environment that allows flexibility and operates with more than just a nominal political democracy system. It produced a Nobel Peace Prize winner in former president, Oscar Arias, who played a key role in the termination of Nicaragua's civil war. Only Costa Rica remained relatively prosperous despite the pressures of the Contra war and the flow of economic refugees that clearly affected its ability to provide services and jobs.²¹ Since Costa Rica's new constitution, and democratic systems that came about in 1948, and the abolition of its army in 1949, and despite the migration pressures of the Nicaraguan revolution, Costa Rica managed to stay on track. It has maintained a rich legacy of social responsibility as the centerpiece of government domestic policy, and managed to maintain a stable economy. It can be held up as a successful example of policy and management in the West European "social democracy" style.

Costa Rica suffered along with other Latin American states during the late 1980s and mid 1990s, but its overall record of poverty reduction improved slightly during that

²⁰Self proclaimed as the "Switzerland of the Americas."

²¹It was Costa Rica's President Oscar Arias recognizing the debilitating effect of the ongoing war, who organized the Esquipulas conference that, despite United States government efforts to undermine it, brought a recognition that only a cessation of conflict in the region would allow a return to economic normalcy, and possible recovery. It was his effort as much as the U.S. Congress' refusal to further fund the Contra Forces that brought about a transition to peace in the region.

period from 1986 when it was at 29.4 percent to 1995 when it was reduced to 25.6 percent. Most of Costa Rica's improvement is attributed to economic growth.²²

What is remarkable about the Costa Rica success is that while its history is a near mirror copy of Nicaragua's until the early 1930s, it has far fewer natural resources, less fertile arable land, and no strong attraction for foreign investment except its long-term social and political stability. Since the 1948 Constitution ending a protracted civil war, Costa Rica has been a stable democracy. While not without its problems, it spawned very competent presidents including Oscar Arias who was the architect of the so-called Contadora Agreement that finally put an end to the Central American civil war that had been ongoing since 1967.²³

While during the same period both Nicaragua and Costa Rica had substantial government policy focused on social welfare and poverty reduction, Nicaragua remains one of the poorest states in Latin America with the a substantial poverty problem.²⁴ In 2000, Nicaragua had the highest short-term external debt (\$201 million) of any small Latin American or Caribbean state by a significant margin; the Dominican Republic was the next at \$187 million.²⁵

Honduras, Nicaragua's immediate neighbor to the north, is, along with Nicaragua, one of the four HIPC cases in Latin America. As reflected in the economic data, and social

²²Kuczynski and Williamson, eds., 42.

²³Costa Rica President Oscar Arias won the Noble Peace Prize for his efforts.

²⁴Ibid., 317.

²⁵Detailed earlier, the illegal flow of Nicaraguan workers to Costa Rica has caused a crackdown, and tightening of borders by the Costa Rica government. Further, Costa Rican politicians publically complain that the flow of illegal immigrants from Nicaragua is causing a crisis in the state's well developed social security, and public health systems.

data. (See Table 1.) Honduras is in about the same situation as Nicaragua except it has far fewer natural resources, a history of despotic regimes and a very weak infrastructure. Its history is at least as politically checkered as that of Nicaragua except there have been no significant social revolutions, nor has the United States intervened militarily except in using Honduras as a “war platform” for the Contra war. Not to be overlooked, however, was the advantage of strategic position during the counter-revolutionary period of Nicaragua from roughly 1984 to 1988 that made Honduras extremely valuable to the United States’ Central Intelligence Agency-sponsored Contra operations basing, and operations. A cynic might observe that Honduras has nothing to offer; therefore, nothing has been wasted on it.

Honduras’ recent, and past history reflects little more than obsequious behavior toward the United States with a long series of military dictatorships or puppet governments. There is little to recommend it from the perspective of strategic advantage, and its economy offers very little to the outside investor except its potential as a “maquila state.” It is clearly in need of outside assistance to relieve poverty through greater participation in the world markets. Its FDI standing is remarkably high,²⁶ no doubt because of its having subordinated itself to the wishes of outside investors, and it remains a primary HIPC program target for the IMF, the World Bank, and the Inter-American Development Bank (IADB). (See Appendix IV.)

²⁶While stability is a necessary ingredient for would-be foreign investors, the United States dominance in the region, and its history in Honduras provides a substitute for stability. This is self-evident, however, must be recalled to explain the current FDI situation, and reflect on the past behavior of the United States in the region in the first third of the 20th Century.

In terms of foreign investment, Honduras stands between Nicaragua and Costa Rica largely because it offers an environment of low wages and minimal costs to outside investment. While not a Central American state, Mexico's experiences and circumstance can be used to measure successes and failures in Central America. Mexico can be seen as a test-bed for neoliberalism in Latin America and held up as the example of a state in the region that early on fully subscribed to the neoliberal agenda by joining NAFTA as an original founder. (CAFTA is largely modeled on NAFTA, and intended to encompass the balance of the Western Hemisphere.) Its experience is illustrative of the effects of NAFTA's neoliberal core tenets.²⁷ Its successes and failures since early 1994, therefore, are of interest because it serves as a benchmark and point of departure for discussion of the relative merits of neoliberalism and the potential for DR-CAFTA.

In Latin America, Mexico is a proto-typical second tier state and the liabilities that go with that status. Mexican President Vicente Fox faces the political and economic consequences of the NAFTA decision. He was elected as the first non-PRI president since 1917,²⁸ and expectations were that he, as an experienced and successful corporate executive with close United States business ties, would lead Mexico to regained prosperity. Mexico's having signed on for NAFTA, and its neoliberal program, however, came with no guarantees.

²⁷Nearly all non-tariff barriers were removed for trade between the United States, Canada, and Mexico, and NAFTA called for phase-out of all tariffs (with some exceptions) between five, and 15 years after it became effective.

²⁸Vicente Fox ran as the PAN (National Action Party) candidate, and took office in January 2001. He was the first non-PRI (Revolutionary Institutional Party) candidate who won the presidency since 1917. His support, at least in part, was due to Mexico's failing economy, and the failure to the PRI to convince Mexican voters that it the PRI would be able to move Mexico toward recovery while reducing corruption in government.

Mexico is further down the road than most states; however, while Mexican wages are low compared with what they once were, they are still higher than those of much of Asia and Central America. Investors who flocked to Mexico in recent decades to take advantage of cheap labor are now leaving for China, Malaysia and Guatemala. That has cost Mexico thousands of jobs exacerbating the oversupply that keeps wages down. said Basilio Gonzalez, of the federal government commission that sets the minimum wage.

“Mexico faces a difficult dilemma.” . . . On the one side there is social justice, and the need to provide human beings with what they need. On the other side is the logic of the market. If companies are not competitive, they close. The problem is how to balance these factors. Many analysts interviewed said that Mexico needs to position itself as a source of higher-paid, higher-skilled labor . . . The United Nations recently issued a report on Mexico’s development, saying its northern states have a level of development akin to the Czech Republic, Brunei and Hungary, and would rank among the top 35 countries in the world. But it said the worse-off, such as Chiapas and Oaxaca in Mexico, would not crack the top 100, and have even less development than Samoa and the Dominican Republic.²⁹

Gonzales observes that Mexico is really two economies: one that reflect the old dynamics and, in the north, reflect the neoliberal result. Both results are not good, and Gonzales clearly see that some effort must be made to break the mold of both. That Mexico has not fared as well as expected is reflected in the flow of illegal immigration to the United States even while the United States government paints a rosy picture of success as President Bush champions NAFTA’s clone in the form of the DR-CAFTA. The point is that even the “best case” scenario has not met expectations, and the result is still driven by the internal dynamics.

²⁹Mary Jordan, “Workers Falling Behind in Mexico: For Many, Wages Still Lower Than Before ‘90s Crisis,” *The Washington Post*, (Washington, DC: The Washington Post Company, 15 July 2003) Available [Online]:<<http://www.washingtonpost.com/ac2/wp-dyn/A56121-2003Jul4?language=printer>>. [15 July 2003].

Credit must be given to the FSLN for several fundamental changes in the internal dynamics of Nicaragua that will, in the long run, enable the state to make necessary adjustments.³⁰ The first, and most obvious contribution is that change was and is possible in the core values of society. The second contribution, a corollary of the first, is that the general population now has a sense of empowerment that goes beyond just the FSLN period, and which is still in play today in domestic politics.

Another more subtle but no less important change is the empowerment of women in society and politics. This can still be seen in the high number of female judges who were appointed during the FSLN period.³¹ The empowerment of women, and their sense of empowerment brings another dynamic not seen before in Nicaragua. If they see neoliberalism as failing in the long term, they may be a force to deal with that is not well understood.

Finally, despite the pro-United States tradition of the RAAN and RAAS, and the early bumbling of the FSLN to bring the region into the revolution, the FSLN 1985-written Constitution provides specific and enforceable rights to the Miskito culture including their rights to communal lands, and local authority placed in the hands of the Miskito community leaders. However, at present, there is only one Miskito in the National Assembly, and in the recent past only one Miskito creole has held high office in the national government.

³⁰This is in reference to the “old” FSLN that governed from 1979 to 1990, not the modern fractured FSLN from which many of its early leaders have departed.

³¹To the chagrin of Bolaños, FSLN appointed judges were involved in the prosecution of cases that he brought in the name of reform. Arguably, former President Alemán, and some of his cronies received light sentences for their not-so-subtle transgressions.

Much of the current turmoil is centered on powers of the executive. One of the FSLN inspired legislative maneuvers is to establish judicial police function in the Russian style. This is anathema to a political democracy, and, if instituted, will roll back political gains and violate the principle of separation of branches of government.

However, to borrow from the adage that “the more things change, the more they stay the same,” it is also clear that little has changed since 1979 with the influence of the Church, the business community and its instruments of influence (COSEP, et. al), and the politics of the oligarchy. The Church still involves itself in politics of the day as it did during and before the FSLN period. While Bolaños and Cardinal Obando y Bravo retain the old assumptions about the role of state and church as mutually supportive, the new form aligns itself with the political consciousness of the people that was engendered by activist priests, Liberation Theology and the FSLN readiness to include the Church in politics.³²

As for organized labor, the labor rights introduced into the current Nicaraguan Constitution in 1985 by the FSLN remain intact as does the attitude of self-empowerment and political action. Before the FSLN, the labor sector was a cleverly manipulated pawn of the Somoza dynasty; however, in its new form it is a force that President Bolaños must consider. Most of organized labor in Nicaragua does not favor the neoliberal solution, especially in view of the poor performance of the past fifteen years.

³²It seems a reasonable assumption that the Roman Catholic Church in Latin America finds it necessary to engage in secular politics in order to carry out its work. Without such involvement, the leverage of the Church would be far less. In any case, its involvement is an historical fact; given the intent of Liberation Theology, it would seem that part of its mandate to serve the poor much necessarily include political engagement.

With regard to civil society as a whole, the FSLN experience was life altering, and, more important, raised social consciousness to a new high for Nicaragua. This is clearly reflected in the majority control of the National Assembly today. With the majority firmly controlled by the combination PLC/FSLN pacto and its quite vociferous and contentious relationship with the executive branch of government, it has legitimacy like no previous legislative body.³³

Because there is little political energy left for a return to the “old” FSLN, it seems likely that yet another party will form to oppose the pacto between Ortega and Alemán. Bolaños’ influence, both due to his age and his participation in the neoliberal agenda will wane. The safe bet prediction is that a pacto-selected candidate will be the next president of Nicaragua, and that his or her government will undertake some hybrid strategy to retain what is good about neoliberalism (including the generous grants and loans), and undertake some social welfare agenda along the lines of Costa Rica’s European-style social democracy. The activism and social consciousness that the FSLN engendered will mean that any new government will be under close scrutiny and held to account. This is a positive legacy.

Conclusions

In the meantime, the old oligarchy will struggle to find a role in the new system, and business will take the pragmatic solution as the best route as it did during the FSLN period for survival. The Church will continue to play an activist role, and labor will

³³While in the U.S. context that may be viewed as politically healthy, the National Assembly’s constant maneuvering to usurp Bolaños’ executive powers is probably unhealthy for stability, and internal confidence in government.

continue to press for equity. Predictions above are just that, and only useful to summarize the dynamics of the internal variables. No matter the final outcome, and direction that Nicaragua takes, while the outside independent variable of near-constant attention will not abate,³⁴ the internal variables will have to make the necessary adjustments on Nicaraguan terms to take full advantage of the only game in town.

Returning to Jagdish Bhagwati's *In Defense of Globalism*, the critics of the neoliberal agenda must turn to logic and pragmatism, and the proponents must allow the space for the domestic internal variables to find long-term, culturally acceptable solutions. No matter the altruism or morally driven motives of the north states, the solution must be within Nicaragua, not an imposed remedy that has no ownership. It is in this context that the Nicaraguan people must make difficult and sometimes bitter choices. In the meantime, there being no other apparent solution, they are forced to find their bootstraps and move on.

What is most clear is that the general population of the Republic of Nicaragua must decide for itself how to deal with neoliberalism in the face of its inevitable rise as the predominant post-Cold War global system. Whether it is seen as another form of imperialism—economic imperialism—is irrelevant. What is relevant is that south states such as Nicaragua now have a chance to condition their existence in the new order, and decisions taken internally will certainly be more viable than those imposed by outside forces. To some degree this explains the long-term popularity of Daniel Ortega and

³⁴It seems very unlikely that there would be a repeat of the FSLN revolution in any form because of the received knowledge of the electorate at large, and because there are no longer benefactors such as the Soviet Union or Cuba that have motive to control the state through economic means.

FSLN's control of the National Assembly. It also explains why General Zelaya is still held in reverence despite his anti-Church policies of the time. It was he gave Nicaragua the knowledge and pride that it could, when the will exists, to defy the United States no matter the cost. This is not to ignore the obvious economic pressures of unfettered capitalism, but to remark on the fact that south states have the ability to take certain decisions that had been imposed on them through economic pressures.

During the FTAA heads of state summit held in Argentina in early November 2005 to confer on the future of the agreement, two heads of state for two of the biggest in South America publically opposed the FTAA as it stands. While Hugo Chavez opposed the FTAA outright, President Luiz Inacio Lula da Silva of Brazil is holding out for agricultural subsidies as an exception to the agreement. Mexico's President Fox later admonished Chavez asking that he moderate his rhetoric. In return, Chavez threatened Fox and called him a "puppy" of the United States. At the end of the skirmish both presidents withdrew their ambassadors from the other's states. While such antics on the part of Chavez are amusing on the surface, the split between Chavez and large, developed states such as Mexico does not bode well for a hemispheric-wide, focused effort to overcome increasing disparity in the face of inevitable neoliberalism.³⁵

Recent history points toward Brazil as a responsible state that undertook austerity measures in the mid-1990s to overcome an economic crisis begun in Asia; its tradition is furthered by the former Brazilian President Henrique Cardoso. On the other hand, Chavez' behavior points toward little more populist rhetoric and seemingly irresponsible

³⁵BBC World News, "Chavez and Fox Dispute Escalates," BBC World News, Available [Online]: <http://news.bbc.co.uk/2/hi/americas/4438876.stm> [16 November 2005].

alliances with Castro and Cuba as the model for economic success. Chavez is able to carry off such a campaign because the neoliberal rubric has not worked, and many Latin Americans perceive far greater economic disparity than the 1980s when the most governments turned toward truly democratic systems, and undertook to compete (even with import substitution) in a purely capitalistic world economy.

The above is to provide food for thought that anti-neoliberalism has traction even in the face of its inevitability and at least Chavez' political survival depends on it, but the larger issue is whether or how states such as Brazil will be able to make responsible adjustments in the face of its own extant anti-globalization forces. Most states in Latin America have the ability to deal with the tough issue, but whether the political will and determination exists among general populations is another question entirely. Most certainly, the perception that the United States is forcing the neoliberal rubric on Latin America through DR-CAFTA and FTAA provides fuel to the its opposition, and makes it far more difficult for Latin American states to take pro-neoliberal steps in an effort to correct the economic and political disparity that exists. Certainly, the fourth FTAA heads of state summit held in Argentina in early November 2005 and the events that surrounded it points toward a long and difficult process. The success of neoliberalism depends in part on political stability, and without it there is little chance for success. Likewise, there is very little likelihood that Latin American states will embark on some hybrid mixed-model such as that tried by the FSLN.

The first meeting of the FTAA was held in Miami in December 1994. Through later iterations including later meetings in Santiago, Chile in 1998; Quebec, Canada in 2001; and Monterrey, Mexico in 2004, Latin American states have come closer to

enacting some agreement to that follows the tenets of neoliberalism. The third draft of that agreement is on the table for consideration.³⁶ The fourth summit, held in Mar de Plata, Argentina 4 to 5 November 2005, theme was “Creating Jobs to Fight Poverty and Strengthen Democratic Governance.”³⁷ It is that signal along with the open opposition to the United States advancement of the FTAA, that forecasts that Latin American states intend to stand firm on their own needs rather than routinely acquiesce to the United States in the pre-1990 (end of Cold War) model. That signal can be seen as a positive in that it points toward more independent and responsible behavior on the part of Latin American states; however, as above, the obstacles to overcome seem insurmountable.

It would seem that President Bush, if presumed to be well intended and altruistic in his support for the FTAA, may fall into the hands of the anti-neoliberal proponents by tough talk that does not go down well for people on the wrong end of the economic equation. On 6 November 2005 during a state visit to Brazil, Bush, taking direct aim at Chavez stated that Latin American states have a choice between the neoliberal rubric of the FTAA or a far worse alternative. He outlined two choices, neither of which would palatable to most Latin Americans, “an American-supported ‘vision of hope’ and another that ‘seeks to roll back the democratic progress of the past two decades.’ Such a democratic retrenchment, the president said, would be ‘playing to fear, pitting neighbor

³⁶Free Trade of the Americas (web site), “Free Trade of the Americas Agreement.” Available [Online]:http://www.ftaa-alca.org/FTAADraft03/Index_e.asp [6 November 2005].

³⁷Ibid.

against neighbor, and blaming others for their own failures to provide for their people.’’³⁸

Bush plays into the fear that the United States will continue to dominate. The very title of Walker’s work, *Nicaragua: Living in the Shadow of the Eagle* reflects that fear.

Thus, Nicaragua with other Latin American states, have bitter choices to make in the face of the inevitability of neoliberalism. Those choices have never been so difficult, yet to retain the dignity of its people, Latin America as a whole must seek its own solutions and make accommodations to find a best fit in the future. The results of the FTAA summit held in Mar de Plata, Argentina reflect the divisiveness of the Latin American states regarding neoliberalism with Venezuela’s Chavez being the most vocal opponent. Venezuela, as an oil rich OPEC member can shrug off and even threaten the United States, at least for the short term, but all other Latin American states especially those in Central America and the Caribbean are agrarian states that depend on accessibility to the export market to survive.

While DR-CAFTA concentrates on those states most dependent on the export market, the FTAA is another matter entirely with major states such as Brazil and Argentina that have solid heavy industrial development are reluctant to embark on a neoliberal path that would require them to give up protections that they now can adjust at will. Of the 34 members of the FTAA, there is a clear split between those that want neoliberalism for access to markets and those that either do not want it (Venezuela, Brazil,

³⁸Elizabeth Bumiller and Larry Router, “Bush, Replying to Chávez, Urges Latin Americans to Follow U.S.,” *New York Times*. (New York: New York Times, 7 November 2005). Available [Online]:<http://www.nytimes.com/2005/11/07/international/07prexy.ready.html> [7 November 2005].

Argentina, Paraguay and Uruguay³⁹) or other states (Colombia and Chile) that have a combination of heavy industry and heavy agriculture exports which makes for an even more difficult decision.⁴⁰ In fact, Colombia and Chile heads of states tried in vain to act as mediators between the pro-FTAA (neoliberalism) and the anti-FTAA. The final outcome was that the parties recognized that there was a split and, in effect, two statements were released. Nicaragua, as a member of DR-CAFTA and an agriculture commodities exporter sided with President Bush along with 27 other regional leaders.

The results of the FTAA summit bring into sharp focus the issues of neoliberalism and the reactions among the various Western Hemisphere states. Further, the conference reflects that at least for Nicaragua and other states that are dependent on agriculture

³⁹With the exception of Venezuela, these states make up the core membership of the MERCOSUR (Southern Cone Market) which initiated its own version of neoliberalism on 31 March 1994 to reduce trade barriers and “normalize” trade procedures and methods. Chile later became an associate member of MERCOSUR. The MERCOSUR, while initially viable has fallen by the wayside because of the severe economic downturn that Brazil and Argentina (its two most important members) in the mid-1990s. In South America, another trade regime that has similar goals is the Andean Community that came into being in 1969 (formerly known as the Andean Pact). The irony is that the Andean Community and MERCOSUR embraced the same tenets as those of neoliberalism and codified them in early FTAA declarations. Probably some of the fear of the dissenting states is that the FTAA would subsume the more region specific trade regimes and leave their member states at the mercy of the United States. Certainly not forgotten by Nicaragua is the CACM (Central American Common Market) that was formed in 1960 for the same purposes; however, the CACM self destructed because its members were either at war or in revolution. CACM members were Guatemala, El Salvador, Honduras and Nicaragua: El Salvador and Honduras “soccer war” (1969) over issues of El Salvadoran undocumented workers in Honduras, and Nicaragua (mid 1970s to 1979 to remove Anastasio Somoza Debayle and civil war from 1979 to 1990). The losses that Nicaragua suffered that resulted from the revolution and civil war that followed are very difficult to measure, but if the failure of the CACM is also included then the losses are incalculable.

⁴⁰Andres Oppenheimer, “The Final Outcome of Summit: Two Americas,” *Miami Herald*, 6 November 2005. Available [Online]:<http://www.miami.com/mld/miamiherald/news/13095474.htm> [9 November 2005].

commodities exports that they both recognize that their inevitable choice must be neoliberalism but that other more powerful states in the region can resist to retain control of their own trade policies. It is interesting to note that President Fox of Mexico lectured the dissidents to the inevitability of the rubric and that any resistance would result in even more economic disparity and poverty. "There are 29 countries willing to advance on the FTAA, we can do it without the other five."⁴¹

On the whole, the FTAA Mar de Plata summit reflects the split between Latin American states, but probably more important illustrates that Latin American states each has its own needs and goals. The United States, likewise, is beginning to recognize this fact, but despite that Latin Americans retain in the recent historical memory that the United States has treated most of Latin America as a unit; something that has existed since President Monroe's state of the union address parts of which later became to be known as the Monroe Doctrine. In effect, Latin Americans (including the dissenters in Nicaragua) see the FTAA and DR-CAFTA as a step toward, not away from, complete United States hegemony in the Americas. In any case, each state must formulate its own trade policy. Nicaragua may have little choice; it is no stretch to liken its situation to that of a drug addict in a dependency cycle that cannot be broken.

Unquestionably, the United States must see DR-CAFTA and FTAA in a larger context that reveals its effort to dominate the world economic system in a struggle with both the European Union and China while at the same time finding itself closer to Huntington's *Clash of Civilizations* in the War on Terror. In effect, the United States is

⁴¹"Two Americas Reject Free Trade Agreement" *Pravda*, 7 November 2005. Available [Online]:http://english.pravda.ru/world/20/91/368/16420_summit.html [9 November 2005].

struggling to retain its Cold War dominance but with economic hegemony as the tool; Latin American states must first deal with the realities at hand and therefore have a more narrow scope. In some sense, the successful “incursions” of the European Union and the powerful Asian states into Latin America challenge the underlying tenets of the Monroe Doctrine.

The various economic instruments of power of the United States and its most powerful allies demand (and receive) reforms from those dependent states in return for loan forgiveness, grants, in-kind aid and other benefits. The reforms are reviewed and “approved” by officials of those instruments who may or may not have a solid understanding of the consequences of each reform. On the one hand, the neoliberal foundation of those instruments can demand poverty reduction documents such as the PRGF submitted first by President Alemán, but the implementation itself is entirely another and governed by the critical internal independent variables. Nicaragua’s lack of progress since Alemán’s election is proof enough that such an approach has been ineffective. That relationship can easily be seen by opponents of neoliberalism and the FTAA as its extension as higher form of neo-colonialism in Marx’ theoretical structure.

In a February 2003 World Bank Group publication, “The Distributional Impact of Loans in Nicaragua: Are the Poor Worse Off?” *Nicaragua Poverty Assessment*, the net effect of international loans to Nicaragua was that the poor got poorer between 1993 and 2001 late in the Chamorro administration and squarely during the Alemán period. Alemán had convinced the World Bank in 1999 that Nicaragua was in dire straits. The agreement that he negotiated, the PRGF, replaced the earlier ESAF negotiated by the Chamorro administration. Despite the World Banks agreement based on Alemán’s PRGF,

the situation worsened. The 2003 report reveals: “But decomposition of average treatment by decile reveals a disconcerting reality. The negative impact of loans [based on the negotiated PRGF] on the consumption and income of the poor indicates that cash loans may work against attempts at reducing poverty.

Worse still, and despite some indications on the positive side such as a slowly decreasing level of extreme poverty, foreign direct investment between the period 2000 and 2004 declined by six million dollars while the change during the same period for Costa Rica was an increase of \$181 million. poverty.⁴²

Table 3: Net Direct Foreign Investment 2000-2004 (US\$ Millions)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Nicaragua	267	150	204	201	261
Costa Rica	404	445	628	550	585
Honduras	282	193	176	198	195

Source: United Nations, “Latin America and the Caribbean: Net Foreign Investment,” ECLAC Statistical Yearbook for Latin America and the Caribbean (Santiago, Chile: ECLAC, April 2004). Available [Online]: <http://www.eclas.cl/cgi-bin/getProd.asp?xml=/publications/xml/1/21231/P21231.xml&xsl=/deype/tpl-i/p9f.xsl&base=/tpl/imprimir.xsl> [6 July 2005].

The obvious conclusion, based on these recent data, is that Nicaragua has not gained in the FDI arena at all during the period, and Costa Rica (already a relatively

⁴²Arianna Legovini, “The Distributional Impact of Loans in Nicaragua: Are the Poor Worse Off? Annex 8” *Nicaragua Poverty Assessment* (World Bank), February 2003, 14. Available [Online]: [http://wbln0018.worldbank.org/lac/lacinfoclient.nsf/0/31a\78860d493b7d685256e3900647139/\\$FILE/Nicaragua%20Poverty%20Assessm%20Annex-8.pdf](http://wbln0018.worldbank.org/lac/lacinfoclient.nsf/0/31a\78860d493b7d685256e3900647139/$FILE/Nicaragua%20Poverty%20Assessm%20Annex-8.pdf) [24 January 2006].

well-off state) gained by nearly twenty-five percent. The table further illustrates that neighboring Honduras, also an HIPC state, suffered a greater blow in the FDI arena. (See Appendix IV for a comparative look at 1990 to 2001 FDI in terms of rank and score.)

The Poverty Reduction Growth Facility (PRGF) has itself come under recent scrutiny as ineffective and burdensome. In an April 2005 World Bank internal learning course⁴³ for World Bank and International Monetary Fund employees, there is self criticism that much improvement is needed.

The Bottom Line => Mixed Success; Clear Room for Improvement; PRSP approach has significant potential but achievements have fallen short, especially in IMF-relevant areas; Policy discussions on macroeconomic and related issues remain largely unaffected; Little progress in understanding obstacles to growth; and Links between public policies, growth and poverty PRGF program design has moved in the right direction, but progress in some areas is only marginal.⁴⁴

While the international community seeks a better understanding of the failures of neoliberalism, and external programs to facilitate economic recovery, the most immediate solutions are internal and can only be acted on internally. For Nicaragua, the critical internal independent variables—the Church, labor, business and civil society as a whole—must examine the past, and move toward a more viable solution; bitter choices must be taken.

⁴³World Bank. Evaluation of Poverty Reduction Strategy Papers (PRSP) and the Poverty Reduction and Growth Facility (PRGF) 25 April 2005 (Independent Evaluation Office). Available [Online]: <http://siteresources.worldbank.org/INTPRS1/Resources/Attacking-Poverty-Course/399075-1115239057864/s1chelsky.pdf>. [9 April 2006].

⁴⁴Ibid., 14.

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APPENDIX I

United Fruit Company¹
(Spanish original)

Cuando sonó la trompeta, estuvo
 todo preparado en la tierra
 y Jehová repartió el mundo
 a Coca-Cola, Inc., Anaconda,
 Ford Motors, y otras entidades:
 la Compañía Frutera, Inc.
 se reservó lo más jugoso,
 la costa central de mi tierra
 la dulce cintura de América.
 Bautizó de nuevo sus tierras
 como "Republicas Bananas,"
 y sobre los muertos dormidos,
 sobre los héroes inuitos
 que conquistaron la grandeza,
 la libertad y las banderas
 estableció la ópera bufa:
 enajenó los albedríos
 regaló coronas de César
 desenvainóla envidia, atrajo
 la dictadura de las moscas
 moscas Trujillos, moscas Tachos
 moscas Carías, moscas Martínez
 moscas Ubico, moscas húmedas
 de sangre humilde y mermelada,
 moscas borrachas que zumban
 sobre las tumbas populares
 moscas de circo, sabias moscas
 entendidas en tiranía

Entre las moscas sanguinarias
 la Frutera desembarca,
 atrasando el café y las frutas
 en sus barcos que deslizaron
 como bandejas el tesero
 de nuestras tierras sumergidas

¹Pablo Neruda, "The United Fruit Company." *Selected Poems of Pablo Neruda*.
 (New York: Grove Press, Inc., 1963), 149. See Appendix VIII for English version.

Mientras tantos por los abismos
azucarados de los puertos,
caían indios sepultados
el el vapor de las mañana:
un cuerpo rueda, una cosa
sin nombre, un número caído
un racino de fruta muerta
derramada en el pudridero.

APPENDIX II

Nicaragua Major Events Chronology

1523-24	Pedr�rias forces from Panama complete conquest of Nicaragua Indigenous, and begin colonial occupation of Nicaragua mostly in the western third. The Roman Catholic Church begins its project to convert the indigenous, and the various governors establish Spanish authority, and the use of the Spanish language. Nicaragua remains a colony of Spain until 1821.
1650s	British settlement forced from Providence to 1898 to Mosquito Coast; British buccaneers establish bases along Caribbean coast; Great Britain makes Caribbean coast a de facto protectorate.
1821	Nicaragua declares independence from Spain
1823	Nicaragua joins United Provinces of Central America confederation
1838	Nicaragua leaves confederation
1860	British give up control of Caribbean coast (Mosquitia) through Clayton-Bulwar Treaty
1893	General Zelaya seizes power, moves to free Nicaragua as a United States economic dependency
1909	U.S. Marines force Zelaya's departure, and begin pattern of occupation
1912-25	U.S. Marines establish military bases in Nicaragua including Caribbean coastal areas.
1927-33	General Anastasio Ces�r Sandino wages independent war against U.S. forces, and Conservative party to establish rights of peasants.
1934	General Sandino tricked into ambush after meeting with U.S. Ambassador; assassinated by Somoza Garcia's National Guard. U.S. complicity?
1937	General Anastasio Somoza gains presidency in rigged election; beginning of forty-two year dynasty.
1956	Somoza killed by leftist anarchist; presidency passes to his first son Luis.

- 1961 Sandinista Front established; modeled on Cuba revolution, and named for Augustino Sandino
- 1967 Luis Somoza dies but not before making legitimate political reforms including low-cost housing, and constitutional amendments to present a Somoza family successor; René Schick Gutierrez assumes presidency but dies soon afterward opening door for Anastasio Somoza Debayle to assume presidency.
- 1972 Devastating earthquake destroys most of Managua central area; Somoza fails to effectively overcome problems, and opposition mounts led by Sandinista elements.
- 1978 Pedro Chamorro, editor, and owner of opposition newspaper, *La Prensa*, supported by business community, killed in ambush in Managua by unknown assailants believed to be led by Somoza Debayle's son.
- 1979 Organization of American States condemns Somoza's repressive policies; Somoza flees country; FSLN consolidates power, and takes control on July 19th after bloodless coup.
- 1980 Somoza killed in Paraguay in street ambush by unknown assailants believed to be financed by the Sandinistas. United States begins imposition of economic sanctions.
- 1982 United States Central Intelligence Agency organizes "Contra" military force to wage counter-revolution using Honduras as base of operations. Sandinistas declare state of emergency.
- 1984 Daniel Ortega elected president in first election since the July 19th victory. Sandinista government brings charges against United States for violating international law in attacking sovereign state; World Court finds in favor of Nicaragua. United States ignores World Court, and world opinion.
- 1987-88 Led by efforts of Costa Rica president Oscar Arias, Nicaragua signs armistice, holds talks with Contra forces, and deals with devastating hurricane.
- 1990 Violeta Chamorro, wife of Pedro Chamorro, wins national election for presidency with a U.S. backed coalition of parties. Begins program of reconciliation, and move toward market economy.

- 1996 Former mayor of Managua, Arnoldo Alemán elected president in October. He reverses much of Chamorro's legitimate policy reforms for political favor in the old-time style of populist. He takes office in January 1997.
- 1998 Hurricane Mitch stalled over central, and western Nicaragua doing major damage. International aids poured in including much from the United States. Not unexpected, Alemán's government siphoned off much of the aid for personal enrichment. Alemán, and his Constitutionalist Liberal Party, and Ortega's Sandinista Front (FSLN) entered into a mutually supporting agreement known as the "*pacto*."
- 2000 The FSLN, despite its failure to win the presidency in 1996 won a significant majority in municipal elections.
- 2001 Alemán's former vice president, Enrique Bolaños, elected president, promised deep reforms to satisfy would-be international benefactors. Alemán was charged with corruption, and stealing approximately \$100 million from government coffers.
- 2003 In December, Alemán was convicted of corruption despite the Sandinista influenced court system. After short period in jail he was allowed to serve his his sentence in his luxurious country estate.
- 2004 In January, Nicaragua was rewarded for its reforms that were part of a Paris Club commitment to forgive substantial foreign debt, and arrange for loans to rescue Nicaragua from its economic distress. President Bolaños was credited with success of his reforms; however, political opposition from Alemán supporters, and the Sandinista Front built quickly. Details of goals, conditions and provisions of Paris Club commitment. Available [Online]: <http://www.clubdeparis.org/en/presentation/presentation.php?BATCH=B04WP04> [15 October 2005].
- On 26 July, the anniversary date of the Cuban Revolution, Russia forgave Nicaragua's foreign debt incurred to the former USSR.
- 2005 In mid-January, the Liberal Party influenced by Alemán and Ortega's Sandinista Front pacto attempt to unseat President Bolaños through its domination of the National Assembly. The United Nations intervened; however, the efforts continued with alternate strategies. The Organization of American States admonishment was weak and obscure in language to no effect.

In mid-February the Sandinista Front, allied with the PLC appointed judges and other officials, an enumerated reserved power of the executive branch (the president) under the Nicaraguan Constitution.

In mid-March, a rift developed between Alemán's PLC supporters and Daniel Ortega who apparently decided that the affiliation with Alemán, a convicted embezzler, would not serve his presidential aspirations for 2006. Likewise, Ortega distanced himself from Managua Mayor Henry LeWites who he apparently viewed as a potential competitor; Lewites was a former FSLN would-be presidential candidate who began to make moves on his own to run for the presidency. Lewites was expelled from the FSLN at the instigation of Daniel Ortega.

In mid-March, apparently at the instigation of the FSLN-controlled FTN, public school teachers remained on strike for higher pay and benefits. This served to further undermine Bolaños' legitimacy.

In mid-April, FSLN Secretary General Daniel Ortega blocks Managua Mayor Lewites from using the FSLN to initiate a run for the presidency in 2008.

In May and June, Daniel Ortega with support from his majority in the National Assembly attempt to change the Constitution to remove some of President Bolaños' powers

In July, Daniel Ortega, the FSLN and PLC residual from the pre-Bolaños presidency in the National Assembly make a move to establish a judiciary police (Office of Procurator General in the Soviet/Russian model) so that the legislature is able to enforce changes in Bolaños' executive powers.

2006

In January, Nicaragua, along with the other three Latin American HIPC states fail to meet deadlines of the World Bank and International Fund to complete internal reforms required to receive the next round of assistance.

In January, the Nicaraguan judiciary engages in internal argument as to whether Jorge Alemán should be released from confinement to his country estate. The final decision will probably result in a political showdown between Alemán's former supporters and those in the FSLN who support him, and President Enrique Bolaños thereby further weakening Bolaños' political strength.

On 13 January, Eduardo Montealegre, a political novice, announces his candidacy for the upcoming November presidential election for the PLC. As the former Nicaraguan comptroller general and a voice against the pacto between the Alemán PLC supporters and the FSLN, he believes that his moderate positions will prevail. In effect, he becomes a challenger to the more left-leaning, would-be presidential candidate Herty Lewites who formerly supported the pacto but now disavows any affiliation to garner the more centrist vote. In both cases, the candidates hope to capitalize on the residual PLC vote that does not support the pacto, nor desires a return to a Sandinista dominated government. Underlying all other political posturing and activity is the enduring popularity of Daniel Ortega who may declare himself a presidential candidate for the November 2006 election.

In February Daniel Ortega begins to calculate his chances of winning the presidency by making more frequent public appearances.

In March, Daniel Ortega declares that were he to run, his platform would account for the current situation (meaning Nicaragua's neoliberal circumstance) while focusing on the alleviation of poverty.

In mid-April, President Bolaños PLC party accuses Hugo Chavez' government of Venezuela of interfering in the upcoming national election in November by offering discounted petroleum to 87 of the 153 Nicaraguan cities and towns headed by FSLN elected officials.

APPENDIX III

Letter from Jamaica 1815¹
(Selections)

Reply of a South American to a Gentleman of this Island [Jamaica]

Kingston, Jamaica, September 6, 1815

My dear Sir:

I hasten to reply to the letter of the 29th last . . . only conjectures that are more or less approximate can be made, especially with regard to her future and the true plans of the Americans, because our continent has within it potential every facet of development revealed in the history of nations, . . .

[Y]ou will certainly not find the brilliant thoughts you seek but rather a candid statement of my ideas.

Three centuries ago, you say, "began the atrocities committed by the Spaniards on this great hemisphere of Columbus." Our age has rejected these atrocities as mythical, because they appear to be beyond the human capacity for evil. Modern critics would never credit them were it not for the many and frequent documents testifying to these horrible truths. The humane Bishop of Chiapas, that apostle of America, Las Casas, has left to posterity a brief description of these horrors, extracted from the trial records in Sevilla relating to the cases brought against the *conquistadores* and containing the testimony of every respectable person then in the New World. . . . Every impartial person has admitted the zeal, sincerity and high character of that friend of humanity, who so fervently and so steadfastly denounced to his government and to his contemporaries the most horrible acts of sanguinary frenzy.

With what a feeling of gratitude I read that passage in your letter in which you say to me: "I hope that the success which then followed Spanish arms may now turn in favor of their adversaries, the badly oppressed people of South America." . . . New Granada, which is, so to speak, the heart of America, obeys a general government, save for the territory of Quito which is held only with the greatest difficulty by its enemies, . . .

Most of the men have perished rather than be slaves; those who survive continue to fight furiously on the fields and in the inland towns, until they expire or hurl into the sea

¹Simon Bolivar, "Letter from Jamaica, 1815," Translated by Lewis Bertrand in *Selected Writings of Bolivar*, (New York: The colonial Press Inc., 1951). Available [Online]: <http://www.college.emory.edu/culpeper/BAKEWELL/thinksheets/thsh-bolivar.html> [14 March 2006].

those who, insatiable in their thirst for blood and crimes, rival those first monsters who wiped out America's primitive race. . . .

Is Europe deaf to her own interests? Has she no eyes to see justice? Has she grown so hardened as to become insensible? The more I ponder these questions, the more I am confused. I am led to think that America's disappearance is desired; but this is impossible because all Europe is not Spain. What madness for our enemy to hope to reconquer America when she has no navy, no funds and almost no soldiers! . . . Assume that this mad venture were successful and further assume that peace followed, would not the sons of the Americans of today, together with the sons of the European *reconquistadores* twenty years hence, conceive the same patriotic designs that are now being fought for? . . .

Europe herself, as a matter of common sense policy, should have prepared and executed the project of American independence, not alone because the world balance of power so necessitated, but also because this is the legitimate and certain means through which Europe can acquire overseas commercial establishments. . . .

Generous souls always interest themselves in the fate of a people who strive to recover the rights to which the Creator and Nature have entitled them and one must indeed be wedded to error and passion not to harbor this noble sentiment. You have given thought to my country and are concerned in its behalf and for your kindness I am warmly grateful. . . .

Moreover, the tribute paid by the Indians, the punishments of the slaves, the first fruits of the harvest, tithes and taxes levied on farmers and other impositions have driven the poor Americans from their homes. This is not to mention the war of extermination that has already taken a toll of nearly an eighth part of the population and frightened another large part away. All in all, the difficulties are insuperable and the tally is likely to show only half the true count. . . .

I look upon the present state of America as similar to that of Rome after its fall. Each part of Rome adopted a political system conforming to its interest and situation or was led by the individual ambitions of certain chiefs, dynasties, or associations. . . . But we scarcely retain a vestige of what once was; we are, moreover, neither Indian nor European, but a species midway between the legitimate proprietors of this country and the Spanish usurpers. In short, though Americans by birth we derive our rights from Europe and we have to assert these rights against the rights of the natives and at the same time we must defend ourselves against the invaders. . . .

How different is our situation! We have been harassed by a conduct which has not only deprived us of our rights but has kept us in a sort of permanent infancy with regard to public affairs. If we could at least have managed our domestic affairs and our internal administration, we could have acquainted ourselves with the processes and mechanics of public affairs. . . . Americans . . . who live within the Spanish system occupy a position in society no better than that of serfs destined for labor, . . . this status is surrounded with

galling restrictions, such as being forbidden to grow European crops, or to store products which are royal monopolies, or to establish factories of a type the Peninsula itself does not possess. To this add the exclusive trading privileges, even in articles of prime necessity and the barriers between American provinces, designed to prevent all exchange of trade, traffic and understanding. In short, do you wish to know what our future held?--simply the cultivation of the fields of indigo, grain, coffee, sugar cane, cacao and cotton; cattle raising on the broad plains; hunting wild game in the jungles; digging in the earth to mine its gold, but even these limitations could never satisfy the greed of Spain.

So negative was our existence that I can find nothing comparable in any other civilized society, examine as I may the entire history of time and the politics of all nations.

Events in Costa Firme have proved that institutions which are wholly representative are not suited to our character, customs and present knowledge. . . . [We] are dominated by the vices that one learns under the rule of a nation like Spain, which has only distinguished itself in ferocity, ambition, vindictiveness and greed.

It is harder, Montesquieu has written, to release a nation from servitude than to enslave a free nation. This truth is proven by the annals of all times, which reveal that most free nations have been put under the yoke, but very few enslaved nations have recovered their liberty. . . . But are we capable of maintaining in proper balance the difficult charge of a republic? Is it conceivable that a newly emancipated people can soar to the heights of liberty and, unlike Icarus, neither have its wings melt nor fall into an abyss? Such a marvel is inconceivable and without precedent. There is no reasonable probability to bolster our hopes.

More than anyone, I desire to see America fashioned into the greatest nation in the world, greatest not so much by virtue of her area and wealth as by her freedom and glory. . . . I think that the Americans, being anxious for peace, science, art, commerce and agriculture, would prefer republics to kingdoms. . . .

It is a grandiose idea to think of consolidating the New World into a single nation, united by pacts into a single bond. It is reasoned that, as these parts have a common origin, language, customs and religion, they ought to have a single government to permit the newly formed states to unite in a confederation. But this is not possible. . . .

The states of the Isthmus of Panama as far as Guatemala, will perhaps form a confederation. Because of their magnificent position between two mighty oceans, they may in time become the emporium of the world. Their canals will shorten distances throughout the world, strengthen commercial ties between Europe, America and Asia and bring to that happy area tribute from the four quarters of the globe. There some day, perhaps, the capital of the world may be located--reminiscent of the Emperor Constantine's claim that Byzantium was the capital of the ancient world. . . .

When success is not assured, when the state is weak and when results are distantly seen, all men hesitate; opinion is divided, passions rage and the enemy fans these passions in order to win an easy victory because of them.

Such, Sir, are the thoughts and observations that I have the honor to submit to you, so that you may accept or reject them according to their merit. I beg you to understand that I have expounded them because I do not wish to appear discourteous and not because I consider myself competent to enlighten you concerning these matters.

I am, Sir, etc., etc.

SIMÓN BOLIVAR

[Spelling and translation errors in original]

APPENDIX IV

Indices of Inward Foreign Direct Investment

Nicaragua, Honduras and Costa Rica (Rank/score) 1990 to 2001

Rank/Score ¹	Nicaragua	Honduras	Costa Rica
1999-2001	14/2.9	55/1.1	72/0.9
1996-1998	10/4.5	70/1.3	40/2.1
1994-1996	26/3.4	62/1.6	33/2.7
1992-1994	33/2.7	60/1.6	30/3.1
1990-1992	36/2.6	47/2.0	23/3.5

Source: United Nations, *Inward FDI Performance Index*. (New York: United Nations Conference on Trade and Development - UNCTAD, June 2005). Available [Online]: <http://www.unctad.org/Templates/WebFlyer.asp?intItemID=5> [5 June 2005]. Latest data available as of June 2005. All data are based on 140 states.

¹The United Nations Conference on Trade and Development definition of inward FDI rank is the position of a state relative to the FDI received compared to its economic size; the score is the state's FDI received relative to its share in the global GDP. Lower rank number indicates higher position relative to other states; higher score indicates greater FDI as a percentage of GDP.

APPENDIX V

Selected Comparative Indicators

Nicaragua, Honduras, Costa Rica and
All HIPC Average (where available)
1999 Through 2003

	1999	2000	2001	2002	2003
Aid per capita US\$:					
Nicaragua	136	111	179	97	152
Honduras	130	70	103	64	56
Costa Rica	-2			2	2
GNI per capita US\$:					
Nicaragua	710	740	730	730	740
Honduras	770	850	900	910	970
Costa Rica	3580	3820	3980	4070	4300
HIPC	290	280	280	280	300
FDI inflow US\$m:					
Nicaragua	337.3	266.9	150.2	203.9	201.3
Honduras	237.3	282.0	189.5	175.5	198.0
Costa Rica	619.6	408.6	453.6	661.9	576.7
GDP current US\$b:					
Nicaragua	3.7	3.9	4.0	4.0	4.0
Honduras	5.4	5.9	6.3	6.5	6.9
Costa Rica	15.7	15.9	16.3	16.8	17.4
HIPC	144.0	139.7	144.3	154.2	176.9

Source: World Bank, "World Bank Development Data Base" (Washington, D.C.: World Bank, 2005), Available (Online) <http://devdata.worldbank.org/data-query/SMResult.asp>. (19 June 2005). Missing data are not available from source.

APPENDIX VI

Class Distribution In Nicaragua

1980	Thousands	Percent
Large Bourgeoisie (Property Owners)	1.9	0.4
Middle Bourgeoisie (Property Owners)	38.4	9.1
Middle Peasants (Property Owners)	54.5	13.0
Petit Bourgeoisie (property owners)	71.4	17.0
Petit Bourgeoisie (non-property owners)	4.0	1.0
Proletariat and semi-proletariat (non-property owners)	177.3	42.2
Sub-proletariat (non-property owners)	72.5	17.3

Source: Jorge Handal Shafik and Carlos M. Vilas, *The Socialist Option in Central America: Two Reassessments*. (New York: Monthly Review Press, 1993), 47.

APPENDIX VII

To Roosevelt¹
 Rubén Darío, 1904

It is with the voice of the Bible, or the verse of Walt Whitman,
 that I should come to you, Hunter,
 primitive, and modern, simple, and complicated,
 with something of Washington, and more of Nimrod.

You are the United States,
 you are the future invader
 of the naïve America that has Indian blood,
 that still prays to Jesus Christ, and still speaks Spanish.

You are the proud, and strong exemplar of your race;
 you are cultured, you are skillful; you oppose Tolstoy.
 And breaking horses, or murdering tigers,
 you are an Alexander-Nebuchadnezzar.
 (You are a professor of Energy
 as today's madmen say.)

You think that life is fire,
 that progress is eruption,
 that wherever you shoot
 you hit the future.

No!

The United States is potent, and great.
 When you shake there is a deep temblor [earthquake]
 that passes through the enormous vertebrae of the, Andes.
 If you clamor, it is heard like the roaring of a lion.
 Hugo already said it to Grant: The stars are yours.
 (The Argentine sun, ascending, barely shines,
 and the Chilean star rises...) You are rich.
 You join the cult of Hercules to the cult of Mammon,
 and illuminating the road of easy conquest,
 Liberty raises its torch in New York.

¹Rubén Darío (pseud.), "A Roosevelt," Translated by Bonnie Frederick. Casa Poema Famous Poetry Collection. Available [Online]: <http://judithpordon.tripod.com/poetry/id184.html> [27 July 2005].

But our America, that has had poets
 since the ancient times of Netzahualcoyotl,
 that has walked in the footprints of great Bacchus
 who learned Pan's alphabet at once;
 that consulted the stars, that knew Atlantis
 whose resounding name comes to us from Plato,
 that since the remote times of its life
 has lived on light, on fire, on perfume, on love,
 America of the great Montezuma, of the Inca,
 the fragrant America of Christopher Columbus,
 Catholic America, Spanish America,
 the America in which noble Cuahatemoc said:
 "I'm not in a bed of roses"; that America
 that trembles in hurricanes, and lives on love,
 it lives, you men of Saxon eyes, and barbarous soul.
 And it dreams., and it loves, and it vibrates, and it is the daughter of the Sun.
 Be careful. Viva Spanish America!
 There are a thousand cubs loosed from the Spanish lion.
 Roosevelt, one would have to be, through God himself,
 the-fearless [correction in translation] Rifleman, and strong Hunter,
 to manage to grab us in your iron claws.

And, although you count on everything, you lack one thing:

God!

A Roosevelt²
 (Original Spanish)

Es con voz de la Biblia, o verso de Walt Whitman,
 Y domando caballos, o asesinando tigres,
 eres un Alejandro-Nabucodonosor.
 (Eres un profesor de energía,
 como dicen los locos de hoy.)
 Crees que la vida es incendio,
 que el progreso es erupción;
 en donde pones la bala
 el porvenir pones.

¡No!

²Rubén Darío, "Casa Poema Famous Poetry Collection," Available [Online]:
<http://judithpordon.tripod.com/poetry/id184.html> [26 July 2005].

Los Estados Unidos son potentes y grandes.
 Cuando ellos se estremecen hay un hondo temblor
 que pasa por las vértebras enormes de los Andes.
 Si clamáis, se oye como el rugir del león.
 Ya Hugo a Grant le dijo: «Las estrellas son vuestras».
 (Apenas brilla, alzándose, el argentino sol
 y la estrella chilena se levanta...) Sois ricos.
 Juntáis al culto de Hércules el culto de Mammón;
 y alumbrando el camino de la facia conquista,
 la Libertad levanta su antorcha en Nueva York.
 Mas la América nuestra, que tenía poetas
 desde los viejos tiempos de Netzahualcoyotl,
 que ha guardado las huellas de los pies del gran Baco,
 que el alfabeto pánico en un tiempo aprendió;
 que consultó los astros, que conoció la Atlántida,
 cuyo nombre nos llega resonando en Platón,
 que desde los remotos momentos de su vida
 vive de luz, de fuego, de perfume, de amor,
 la América del gran Moctezuma, del Inca,
 la América fragante de Cristóbal Colón,
 la América católica, la América española,
 la América en que dijo el noble Guatemoc:
 «Yo no estoy en un lecho de rosas»; esa América
 que tiembla de huracanes y que vive de Amor,
 hombres de ojos sajones y alma bárbara, vive.
 Y sueña. Y ama, y vibra; y es la hija del Sol.
 Tened cuidado. ¡Vive la América española!
 Hay mil cachorros sueltos del León Español.
 Se necesitaría, Roosevelt, ser Dios mismo,
 el Riflero terrible y el fuerte Cazador,
 para poder tenernos en vuestras férreas garras.

Y, pues contáis con todo, falta una cosa:

¡Dios!

APPENDIX VIII

The United Fruit Company¹
Pablo Neruda, 1954

When the trumpet sounded all
was prepared on the earth
and Jehova divided his universe
Coca-Cola, Inc., Anaconda,
Ford Motors, and other entities:
the United Fruit Company, Inc.
reserved for itself the heartland
and coast of my country, the delectable waist of America.

They rechristened their property the "Banana Republics"
and over the languished dead,
the uneasy repose of the heroes
who harried that greatness,
their flags and their freedom,
they established an *Opera Bufo*:
they relished all enterprises,

Trujillo the fly,²
Tacho the fly,
the flies called Carias, Martinez, Ubico
all of them flies, flies dank with the blood of their marmalade vassalage, flies
buzzing drunkenly on the populous middens:
the fly-circus fly
and the scholarly kind,
case-hardened in tyranny.

Then in the bloody domain of the flies
The United Fruit Company, Incorporated unloaded with
a booty of coffee and fruits brimming its cargo boats,
gliding like trays with
the spoils of our drowning dominions
And all the while,

¹Pablo Neruda. "The United Fruit Company." *Selected Poems of Pablo Neruda*. (New York: Grove Press, Inc., 1963), 149. Complete content; slight reformatting for fit. Free verse; stanzas are intact. See Appendix I for original Spanish-language version.

²Referring to Anastasio Somoza Garcia (Tacho I) and other Latin American dictators of the time.

somewhere, in the
sugary hells of our seaports,
smothered by gases,
an Indian fell in the morning; a body spun off,
an anonymous chattel,
some numeral tumbling,
a branch with its death
running out of it
in the vat of the carrion,
fruit laden and foul.

MAP PLATE 1

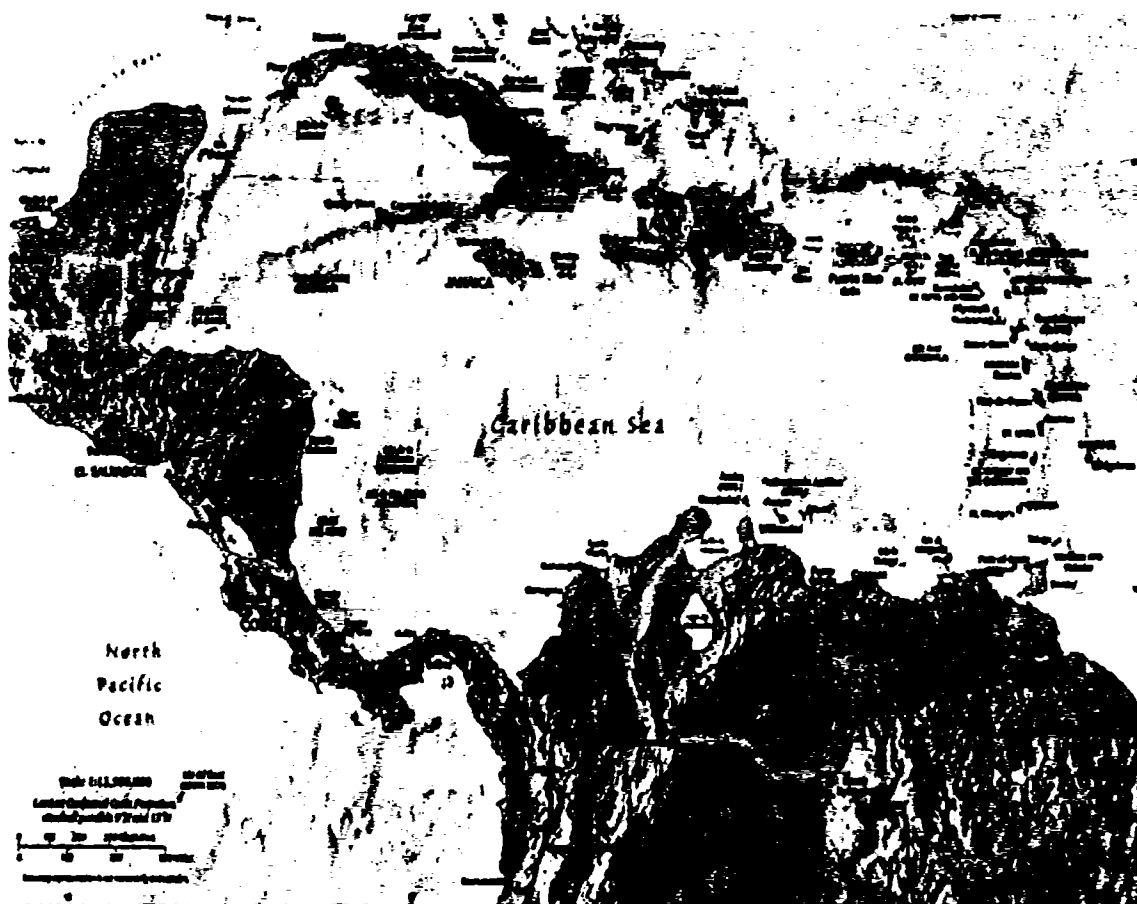
Nicaragua



Source: United Nations Cartographic Section. Political map of Nicaragua. Available [Online]: <http://www.un.org/Depts/Cartographic/map/profile/nicaragu.pdf> [15 October 2005].

MAP PLATE 2

Central America and the Caribbean Basin



Source: *World Fact Book 2005*. Available [Online]: http://www.cia.gov/cia/publications/factbook/reference_maps/central_america.html [15 October 2005]

VITA

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After a 27-year career as an Army officer, Stanley G. Hash began his teaching career in 1994 at Christopher Newport University in Newport News, Virginia where he ran the international speaker program, served as the Model United Nations advisor and as the University representative to the Virginia Tidewater Consortium of Higher Education.

He retired from full-time teaching at Christopher Newport University in Newport News, Virginia in 2001; he regularly teaches two or three courses each semester at the University as an adjunct. He contributed to two college-level textbooks: *Virginia Politics in the 21st Century* (Simon and Schuster, 1999) and *Teaching Old Dogs New Tricks, International Organizations in the 21st Century* (Pearson Publishing, 2000). In 1998, he was a participant in a Hays-Fulbright U.S. Department of Education program in Nicaragua to study post-revolutionary adjustment.

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Stanley Hash holds a baccalaureate degree from the University of Maryland in Latin American Studies and a Master of Arts in Public Administration from the University of Oklahoma, and has additional graduate work at the College of William and Mary in international and American government studies.