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THE PEASANT QUESTION AND DEVELOPMENT
POLICY IN NICARAGUA

by

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PREFACE

Food policy reforms associated with reduced state intervention in the production and marketing of agricultural products and increased producer prices are an increasingly prominent feature of the development strategies of many Third World economies. Major reforms with many similar characteristics are also being implemented in a number of the socialist countries of Africa, Asia and Latin America. This paper analyses the changes in food and development policy which have occurred during the past three years in post-revolutionary Nicaragua. It focuses particularly on how such reforms sought to deal with the peasant question. The latter is analysed in terms of four central problems or issues: the growth of overall food production; the so-called extraction of surplus; the improvement of the levels of living of the rural poor; and the integration of the peasantry in the dominant class alliance exercising state power.

Following 1982, a combination of factors associated with war, external economic pressures, declining export revenues, and institutional and planning limitations had a negative impact on each of these aspects. The paper analyses how the government sought to deal with the peasant question and respond to pressures from an increasingly powerful organization of small agricultural producers by attempting to correct a series of planning imbalances or biases which had tended to favour the urban and state sectors, as well as longer term investment in resource allocation. Particularly important were measures taken to shift the domestic terms of trade in favour of peasant producers, increase the quantity of goods and services reaching rural producers and accelerate the process of land redistribution.

The paper is divided into two main sections. The first analyses the nature of the peasant question, looking particularly at the role of planning imbalances in undermining the position of the peasantry. The second section analyses the content of the policy changes involved and assesses their impact. Some of the issues raised in the paper, namely those relating to the social impact of the economic crisis and to food

pricing and marketing reforms, are intended to be covered more fully in a series of case studies under the current research programme of the Institute.

Dharam Ghai
Director

THE PEASANT QUESTION AND DEVELOPMENT POLICY IN NICARAGUA

Peter Utting 1/

"We know that ... only agreement with the peasantry can save the socialist revolution ... let us re-examine our policy ... We must try to satisfy the demands of the peasantry who are dissatisfied and disgruntled ... it will take essentially two things to satisfy the small farmer. The first is a certain freedom of exchange ... and the second is the need to obtain commodities and products." Lenin 2/

Introduction

In many post-revolutionary societies, the transition process towards some form of socialist model of development has been accompanied by external aggression and war, decapitalization and flight of human resources, acute foreign exchange shortages and a decline in labour productivity. 3/ Under these conditions development can easily assume the form of a zero-sum game in which one group's gain is another's loss. This situation may be mitigated partially by large-scale inflows of "solidarity" aid and deficit spending but these in turn are likely to generate additional economic and planning difficulties. In practice, the possibility of achieving a more equitable distribution of resources through the planning of production, distribution and investment tends to be restricted by a variety of structural, technical and material constraints. Moreover, production and living levels of important socio-economic groups can be undermined by certain planning imbalances or biases favouring rapid industrialization, the "modern", the urban, the collective or state sectors.

Within the context of these conditions and constraints, the peasant question looms large as one of the central development problems in the transition period. This question has generally centred on four basic issues: the growth of overall food and agricultural production, the so-called "extraction of surplus" to provide wage goods and investible resources, the improvement of living levels of the peasantry and the integration of the latter in the dominant class alliance exercising state power.

Problems associated with these aspects have forced a number of post-revolutionary states to rethink development strategy and introduce policy changes which implicitly recognize the limits of central planning and direct state control over production and distribution. As stated by Fitzgerald when referring to the case of peripheral socialist economies: "Planning ... is severely limited by the fact that neither foreign prices ... nor all basic needs provision ... are under state control. Central aspects of economic strategy must therefore be the management of commercial relationships with the world economy ... and with the small-producer sector ... rather than the planning of production in the state sector itself." 4/

Such changes in policies are likely to emphasize the need to improve the terms of trade from the point of view of the peasantry and to increase the provision of goods and services to rural areas. As indicated in the quote which introduces this paper, the major modifications in food policy proposed by the Bolsheviks in 1921, when the "surplus-grain appropriation system" was abandoned in favour of the "tax-in-kind system", focused on these two aspects as the means of reactivating a stagnant agricultural sector and dealing with the problem of peasant discontent. Similar issues have been at the heart of more recent policy changes in countries like Mozambique and Vietnam. 5/

This paper looks at how the Nicaraguan state has dealt with the peasant question in recent years. 6/ It is argued that in response to changing circumstances associated with the war, economic crisis and peasant discontent and mobilization, the government altered its development strategy after five years in power. This change was reflected in a series of policy reforms introduced between late 1984 and 1987 which attempted to correct a number of planning imbalances that had favoured the urban population, state sector enterprises and longer term investment, thereby restricting the access of important sectors of the peasantry to essential resources. The first section of the paper analyses the nature of the "peasant problem" and, within the context of the various constraints contributing to this problem, focuses particularly on the question of planning imbalances. The second section analyses the content of the policy changes involved and assesses briefly their impact.

I. The Peasant Problem and Planning Imbalances

The commitment of the Sandinistas to radically transform rural social structure and social relations to benefit the peasantry was explicitly outlined as early as 1969 with the publication of the **Historical Programme of the FSLN** 7/, ten years before the overthrow of the Somoza dictatorship. This document called for an immediate and massive "land to the tiller" redistribution programme; the elimination of *latifundia*; an agricultural development plan to diversify and intensify peasant production; improved access of peasant producers to credit, technical assistance and markets; compensation for "patriotic landowners" affected by the agrarian reform; the organization of peasant producers in cooperatives; the abolition of informal debt; and the creation of improved employment opportunities for the rural population to overcome the problem of seasonal unemployment. 8/

Many of these points would shape the broad agrarian reform programme initiated by the new revolutionary government in 1979. Important differences in emphasis arose, however, regarding the pace of redistribution and the relative importance assigned to different forms of property in resource allocation. Priority was clearly given to state sector enterprises (the Area of People's Property - APP), formed on the basis of the confiscation of *Somocista* properties. 9/ Also, the actual process of land redistribution to the peasantry started relatively slowly. Of a total rural population of approximately 1.4 million in 1984 (some 225 thousand families) there were an estimated 123 thousand families which were potential beneficiaries of the land redistribution programme. 10/ Of these, however, only 31 thousand families (25 per cent) had received new lands by the end of that year. In Table 1 it can be seen that "poor peasants and seasonal workers" still constituted the largest social category

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