



STABILIZATION AND ECONOMIC JUSTICE:  
THE CASE OF NICARAGUA

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### Abstract

In this paper Dr. FitzGerald addresses the issue of whether it is possible to design and implement a demand management policy which combines stabilization with economic justice in a mixed economy. He explains the sort of problems which the Nicaraguan government faced in the first few years after the 1979 revolution in its attempt to put into practice an economically just stabilization policy.

The author describes this attempt in terms of the government's need to (1) secure the supply of basic needs through a program based on popular organization; (2) reduce the foreign exchange content of consumption; (3) cut non-basic consumption; (4) allow most of the burden of these policies to fall upon the upper and middle classes while trying to prevent mass migration of key producers, technicians and professionals; (5) improve the balance of payments by restoring export volume, deal with inherited debt and negotiate new finance; and (6) construct and apply internal financial balances consistent with both basic needs and the external account.

### Resumen

En este trabajo el Dr. FitzGerald analiza la posibilidad de diseñar e implementar una política de demanda que combine estabilidad con justicia económica en una economía mixta. Explica los problemas con que el gobierno Nicaragüense se enfrentó en los primeros años tras la revolución de 1979 en su intento de poner en práctica una política económica de estabilización justa.

El autor describe este intento en términos de la necesidad por parte del gobierno de (1) asegurar la oferta de necesidades básicas a través de un programa basado en la organización popular; (2) reducir la proporción de productos externos en el consumo; (3) reducir el consumo no-básico; (4) permitir que la mayor parte de estas políticas recaigan sobre las clases medias y altas intentando a la vez frenar una emigración masiva de productores, técnicos y profesionales; (5) mejorar la balanza de pagos restaurando el volumen de exportaciones, tratar la deuda heredada y negociar nuevas finanzas; (6) construir y aplicar balances financieros internos consistentes con las necesidades básicas y la cuenta externa.



The theme of this paper is stabilization policy, a term which has unfortunately earned itself a bad name in development economics in the past few years. In Latin America, however, stabilization policy has been a constant feature of economic debate at least since independence, precisely because of the effect of the world trade cycle on export earnings, and thus the need for politically sovereign governments frequently to adjust domestic economic policy to an exogenously determined balance of payments.

The modern debate on stabilization in Latin America really starts, however, in the Great Depression of the 1930s, when for the first time there was a general reaction against the principles of "sound finance" and an attempt to implement a strategy of counter-cyclical monetary intervention and import-substituting industrialization. Monetarism, of course, had been the current orthodoxy since the previous century, when it was felt by bankers (and Marx, incidentally) that the effect of the downswing of the trade cycle was to reduce wages to reasonable proportions, eliminate inefficient enterprises and restore profitable capital accumulation--the effect transmitted from center to periphery by the gold standard. It should also be remembered that the rest of what is now called the Third World was then largely colonized and thus part of enclosed currency areas. In other words, Latin America had developed, long before the present decade, a definite attitude toward stabilization based on the premise that industrialization and real wage maintenance were more important objectives than price stability or a fixed exchange rate.



In the present debate about stabilization, when the principles of "sound finance" are again popular not only with international bankers but with certain governments in the Continent, the disagreement starts not so much with the correct policy but with the causes of the problem. Briefly, the debtors' story is about the depression in the world economy, deterioration in the terms of trade, the need to sustain investment in production and social infrastructure, and rising interest rates. Just as briefly, the creditors' story is about irresponsible government borrowing, failure to adjust domestic policies to external realities, lack of business confidence and shortages of funds. But whatever the causes, and however much debt rescheduling the bankers can be persuaded to accept (for they too wish to avoid default), some sort of stabilization policy has to be adopted to bring imports into line with exports and to restore a country's creditworthiness. Again, no person would disagree that the only solution in the long run is to expand exportable production and achieve higher world prices, although there might still be debate as to how this is to be managed.

In the short run stabilization policy must act on demand, and even in the long run in a situation of supply constraint (particularly of imported producer goods but also often of food), demand must be kept roughly in line with the expansion of productive capacity. The orthodox package of demand control is well-known (budget cuts, real wage decline, devaluation, etc.) and is correctly criticized by all those concerned with issues of economic justice for having a greater impact on the incomes of the poor than on the rich and of sacrificing development to profitability. The bankers reply that this may well be so, but profitability must be restored if accumulation is to start on a balanced basis and full employment is to be achieved. The weakness of the





critics' position is that they have very little to offer as an alternative for short term demand management, which is what counts at any given moment. Moreover, when popular governments do gain power, they often run into situations of balance of payments deficits and soaring inflation, which undermine their support among the very poor whom they are seeking to help.

It is this problem that I wish to address here. Is it possible to design and implement a demand management policy which combines stabilization with economic justice in a mixed economy? By "economic justice" in this context I do not mean anything very complex and Rawlsian; rather, my premise is that the real incomes of workers, artisans, and peasants should not fall in the process. In other words, the problem is to formulate a realistic alternative to IMF-style policies.

To put the same question in another form, why is it that popular governments seem to have so much trouble with finance?<sup>1</sup> This is not only a problem in mixed economies; for even the socialist countries, when they decide to decentralise and restore a degree of enterprise initiative and consumer choice, seem to run rapidly into severe macroeconomic disequilibria and require a stabilization policy as well. Yugoslavia is a good example of this.

It is my contention that such an "economically just stabilization policy" is possible in principle. This belief is based on the approach to macro-economic analysis developed by Kalecki, which itself derives from the tradition of the classic pillars of political economy, and which is more suitable to the peculiar economic structure of Latin America (and much of the semi-industrialised Third World for that matter) than either Keynes or Friedman. This approach places income distribution and price formation at the



center of the stage, but works from the supply side, so that the fundamental determinant of the standard of living of workers and peasants is the supply of basic needs (or "necessities" as Kalecki calls them); if these basic needs are secured, then the effect of macroeconomic adjustment will automatically fall on the supply of other commodities. If, in turn, adequate profits are sustained (through price policy) and investment is stimulated (through the import of capital goods), there is no reason why production should suffer either. Of course, the necessary demand constraint will fall particularly on the middle class in the non-productive sectors, such as commerce and services, which absorbs a very large slice of the pie in Latin America but does very little to justify it.

#### 1. Basic Needs

I do not wish to dwell too long on the characteristics of the Nicaraguan economy, but rather to explain the sort of stabilization policy problems that faced the government in the first few years after the revolution in 1979. I shall take the story up to mid-1983 because, since then the increase in insurgency financed and supported by the present United States administration has forced Nicaragua into what is virtually a war economy. Very different considerations come into play about resource allocation and foreign finance under such conditions, even though macroeconomic disequilibrium is clearly just as undesirable, if not more so.

The economic situation in July of 1979, when the Sandinistas took power after a popular rebellion against Somoza, was critical. Gross domestic Product (GDP) in that year fell by one-third, industry had been bombed and looted, crops had not been sown for the 1979-1980 harvests, cattle had been slaughtered, airplanes and ships stolen, wages left unpaid, hospitals



destroyed and foreign debtors unpaid. The cost of the war was estimated by the United Nations to exceed 1 billion dollars, in an economy with a national income of little more than double that figure.<sup>2</sup> Somoza had run up an external debt of 1.6 billion dollars in the previous few years, but there was little evidence of productive investments; the funds had been used to finance capital flight, and only 3 million dollars were left in the reserves from these loans and the bumper 1978-1979 export harvest of cotton, coffee and sugar.

The nationalization of the properties of Somoza and his "cronies" gave the new government direct ownership of about one-quarter of material production (that is, about one-half of big business in the country), all the banks, and most of the transportation system. To this was added strict control over foreign trade because of the foreign exchange shortage, and over state wholesale trade in basic consumer goods to avoid speculation. On the other hand, the private sector controlled (and still controls) three-quarters of production, almost all retail commerce, housing, and so on.<sup>3</sup> As we shall see, there was not only a commitment to maintain private productive enterprise so long as it contributed to development goals, paid fair wages, etc., but also to provide a positive stimulus to small farmers, artisans, and local organizations of social services such as health and education. On the international scene, political non-alignment was matched by trade and aid relations with all areas of the world economy. This is what the Sandinistas call a "mixed economy"; in terms of comparative economic institutions, it might be compared with, say, Mexico.

Finally, because the movement of Sandino and the resistance to Somoza had been essentially a "national liberation struggle" a clear strategic aim was to reduce economic dependence on the United States, but without going to the



other extreme, as Cuba was forced to do. Nicaragua is lucky in that, since 1959, Latin America had developed very rapidly, so other semi-industrialised economies such as Mexico and Brazil were in a good position to help economically. Similarly Europe, the Arab world, Japan, etc. provided the possibility of trade and finance independent of the United States, but without excessive commitment to the socialist bloc which would be incongruent with geopolitical realities and inappropriate to the development needs of Nicaragua.

In this sort of situation, even with considerable foreign aid, it would not have been possible simply to expand the economy in a "Keynesian" fashion to restore income levels, because of the domestic supply constraints. Moreover, as income redistribution towards the poor was obviously necessary (otherwise why have a revolution?) some differential action was needed; but simply raising wages would be highly inflationary (as the Chilean experience had shown)<sup>4</sup> and would not benefit the really poor in the so-called informal sector. While credit to industry and agriculture had to be raised (with particular emphasis on small farmers for the first time, which had a considerable redistributive effect) to restore production, and the budget had to be expanded rapidly in response to the new health and education programs, some sort of stabilization policy was necessary to contain inflation. However, with three-quarters of the economy in private hands, it was not possible to control incomes or prices directly.

The only way to secure popular living standards was through the supply itself of basic needs, by removing them from the impact of market forces. That is, it was necessary to make access to food, clothing, housing, health, education, public transport, and so on independent of the actual monetary





income of the family. If people's only access to basic needs is through the market, and you cannot control everybody's income, a stabilization policy will naturally fall most severely on the poorest. So the first stage in the stabilization policy, strange as it may seem, was to secure basic needs and not to adjust wages upwards.

Guaranteeing the food supply to the population is a problem of production and distribution. The main supply of staple items such as corn and beans, cheese and tomatoes, comes from small peasant farmers. There is a dilemma between low prices (which help the urban poor) and high ones (which help the peasants), which can only be resolved by higher productivity. Thus, the land reform program had to include the allocation of fertile lands to small farmers (in service cooperatives for the most part) and investment in irrigation on state farms--both, in order to raise food output. Therefore, from the start, the economic plans included national food security as a key objective.<sup>5</sup>

The other problem is distribution: if distribution is left to the market in times of shortage, food prices will rise and the urban poor above all will suffer. But the dangers of rationing or state retailing are also considerable because of the bureaucratization that they entail. In the case of Nicaragua, it would also be politically and economically impossible to set up a chain of state stores replacing all the small shopkeepers. What was done then, was to establish a minimum quota per capita for basic products (sugar, cooking oil, etc.) which is supplied through the neighborhood private shops; the shopkeeper receives from the state warehouses the amount that corresponds to the population of his area (about a thousand people on average) and the neighborhood committees see that he adheres to the rules. Other goods, and the surplus of basic products, are sold through the open market.<sup>6</sup>



The next step was taken in education, where the Literacy Crusade in 1980 reduced illiteracy from over 60 percent to approximately 12 percent; since then, the program has been continued in the form of adult education organized at the local level. At the moment, out of a population of 3 million persons, Nicaragua has one million participating in one form of education or another. This educational effort is largely independent of market forces, although private (religious) schools are still important in secondary education. The health system is not based on large hospitals and doctors but, rather, on local sanitation and preventive medicine centered on the family itself. The main cause of death in Nicaragua has traditionally been child gastroenteritis; this has been reduced enormously by teaching mothers simple methods of rehydration. Polio has been eliminated, and malaria controlled through mass sprayings and annual medication campaigns. These are all essentially community affairs. Similarly, the housing programs (after a false start with apartment buildings) are based on the "site and services" system where the local authority opens dirt streets and installs electricity and water connections to housing plots. Families then build their own houses, buying basic materials at a fixed price from the state and gradually improving the house over the years.

In sum, the "basic needs program" is based on popular organization. Politically and socially, the advantages of this are obvious; but economically too this has the effect of mobilizing underutilized labor without a large capital cost, raising living standards directly without paying inflationary wages. From the point of view of stabilization, this also protects popular living standards from market forces. This is real supply-side economics.



## 2. External Balance

The second step in the stabilization policy was to reduce as much as possible the foreign exchange content of consumption, so as to release imports for exportable production and investment. The main objective of cutting consumption in a stabilization policy for a small developing economy is the reduction of imports to reduce the trade deficit. Normally this is done by cutting total consumption. However, an alternative is to reduce the import content of consumption itself, even if this requires changes in traditional patterns. There is a belief among many development economists (particularly of the structuralist ECLA--Economic Commission on Latin America--school) that the consumption of the poor (food, clothing, etc.) contains less foreign exchange than that of the rich (televisions, automobiles, etc.). Even though this is clearly true for some items, it became rapidly obvious in Nicaragua that popular consumption also relies heavily on foreign exchange. For example, beer bottles are imported from Guatemala, the tops from Canada, the hops from Europe, and so on. However, in cigarettes it was possible to eliminate cellophane in the wrappings and substitute tobacco stems for the filters. Again, housewives come to shop with a basket instead of receiving paper bags.

This process has been repeated throughout the consumption system, although it can sometimes have unexpected results. Imports of drinking glasses were halted to encourage use of local pottery; but the informal sector immediately started to fashion glasses out of bottles, thereby creating a bottle shortage. Imports of packaged soups were halted on the grounds that this was a middle-class luxury, until a delegation of agricultural workers pointed out that when peasant women are working on the harvest there is no time to prepare supper in the evening. Planners often forget these things.



Another example is the ranking of basic needs themselves. In the case of Managua, for example, we put housing further up the list than public transport; the inhabitants of the barrios had the opposite opinion. This is simply because senior planners have their own cars, and are shocked by informal housing which is "home" to someone else.

Having established basic needs consumption, and reduced import content as much as possible, it was nonetheless necessary to cut non-basic consumption to the very minimum as the cutting edge of the stabilization program. The problem, of course is to define non-basic consumption in order to act on it from the supply side, apply taxes, and so on. Imports of cars and televisions with official exchange supplies were quickly eliminated; taxes were raised on gasoline, and eventually rationing was introduced. However, the Ministry of Finance wanted beer, rum, and cigarettes defined as non-basic in order to raise taxes and reduce the fiscal deficit; the trades unions were of the opposite opinion. The effect of this, particularly the import controls, was to reduce sharply non-basic consumption to less than half the pre-1979 level, while basic consumption was restored to its previous level by 1981. Nonetheless, this basic consumption was more equally spread than before, so that urban employees in particular did not feel any great improvement, in marked contrast to the peasantry and the urban poor. One inevitable result has been that the competition in the market for the limited amount of free foreign exchange has pushed the parallel rate skywards.

In general, the effect of supply restraint without direct control over private sector incomes has inevitably been inflationary; but the inflation is differential, -- a combination of controlled prices for basic consumption goods and services and market-clearing prices for the rest. This is the





monetary side of the "real" redistribution of income through differential access. Logically, if a different supply pattern is imposed on the existing income distribution in a market economy, price adjustment must take place.

The consumption policy obviously has a negative impact on the middle and upper classes, who are the beneficiaries of an "orthodox" stabilization policy but not of this sort of economic justice. This can, as in the case of Cuba, have as a consequence the emigration of key producers, technicians, and professionals. Therefore, an attempt has been made to give incentives to these people in the form of vehicles, housing, and so on--creating the problem that this tends to create the sort of hierarchy known as "nomenklatura" in socialist countries. One of the major sources of internal opposition to the present government in Nicaragua is precisely this urban middle class in the commercial and services sectors, who have been badly hit by this stabilization policy. Someone has to bear the burden of a reduction in consumer demand, or in the case of Nicaragua, of a limited expansion after a war: in Nicaragua, this "someone" has been the better-off non-producers. (In other cases, such as that of Costa Rica, it has been the poor who bear the burden.) These are the political costs of economic justice. In consequence, the government has tried to explain to producers and professionals why they cannot expect any great improvement in their standard of living; as a whole, their reaction has been positive.

The planners felt that once a consumption policy had been worked out, the next task would be the balance of payments: if basic needs and foreign exchange could be arranged, then the financial balances could be safely worked out without endangering the "real side" of the economy. This, incidentally, turned out to be also the basis for effective economic planning in a mixed



economy. In technical terms, foreign trade is the "Department One" of the economy while basic needs is the "Department Two," both of which must be brought into line for an effective economic plan.<sup>7</sup> The first task was to restore the level of export volume, particularly from agriculture, even though world prices had been declining; long-term restructuring towards semi-industrialized natural resource exports would depend upon heavy investments that would not bear fruit until the second half of the decade.

Naturally enough, there was a tendency to turn land over to food crops, so the land reform program had to emphasize restored productivity in cotton, coffee, sugar, and meat on the large farms, both state and private. Cotton posed a particular problem because of the ecological damage the existing system meant in terms of pesticides, etc., even though it is the most profitable crop for the country in terms of net foreign exchange earnings. Fortunately, with the help of an American volunteer entymologist, it was possible to discover a way of spraying around the edge of the cotton fields and killing off the bugs early on; this saved both foreign exchange and human lives, not to mention maintaining the ecological balance.

Recovery of meat production was very difficult because of the slaughter of the herds in 1979; it will take a decade to restore the previous level. In this case and that of sugar, moreover, the level of domestic demand began to rise dangerously, threatening export earnings and requiring domestic rationing. Generally speaking, however, the government managed to get export volumes up to something approaching pre-1979 volumes by 1983. Meanwhile, however, world prices had weakened and, more seriously, the prices of imported inputs and machinery had risen by over one-half. Thus, instead of a balance of about 600 million dollars in exports and imports, there was an export



income of about 500 million dollars and imports of 900 million dollars, so that a deficit of 400 million dollars had to be financed internationally.

As stated above, the new government inherited from Somoza a debt of 1,600 million dollars and virtually no reserves. The servicing of that debt would have involved paying some 500 million dollars, which was quite impossible. There was a morally very strong position for refusing to pay at all; but this would have meant severing connections with the Western banking system, which was contrary to the strategy of non-alignment. The banks, more from a fear of the bad example to other countries than from altruism, agreed to an unprecedented restructuring on the basis of a five-year grace period on principal and a flat 7 percent interest price meanwhile, the differential with the prime rate being capitalized.<sup>8</sup>

The next step was to negotiate new finance. By 1980 it was very clear that the United States government was not going to help and would put heavy pressure on the World Bank and the Inter-America Development Bank as well. The World Bank produced a very favorable report in 1981 ("The Challenge of Reconstruction")<sup>9</sup> but since January 1982 did not make a single new loan, on the ostensible grounds of "inappropriate macroeconomic policy". The interesting development was that the major source of external finance since 1979 has in fact been Third World countries such as Mexico, Argentina, and Brazil, and Western Europe. The socialist countries have provided about one-quarter of all foreign aid. If we compare the case of Nicaragua with that of Cuba, for example, the Cubans had to choose between the USA and the USSR, and once they were cut off from the former, the latter was the only choice. In the case of Nicaragua, twenty years later and with a far less sophisticated economy, the choice of trading and financial partners is far wider, and the



possibility of truly non-aligned international economic relations is possible.<sup>10</sup>

Every year, among donations, trade credits and development project loans, it has been possible to obtain the 400 million dollars or so necessary to balance the external accounts. About half of these resources have gone into essential supplies such as medicines, food, fertilizers and spare parts; but the other half has gone into investment projects. This is because this deficit on external account is clearly not sustainable in the long run. The development projects emphasize the resolution of this problem through the industrialization of natural resources. On the export side, we may mention expansion of sugar (to be sold to socialist countries at fair prices), renovation of the coffee plantations, expansion of burley tobacco, the development of processed fruit and vegetables, exploration for new gold deposits, re-equipment of the fishing fleet and the sawmills, and the expansion of traditional crops such as cotton and sesame. All these projects are already financed and under way; they should come on board before the end of the decade.

The perils of import-substitution are well known in Latin America, so the strategy here has been to concentrate on basic needs (particularly food) and energy. Here we may mention irrigated grains (corn and beans), African palm oil, cotton spinning and textile mills (Nicaragua exports raw cotton and imports cloth at present!), on the one hand, and the generation of geothermal and hydroelectric power to substitute for imported oil, on the other. The geothermal project is very interesting because it is based on tapping the heat of volcanoes for steam-driven turbines with Italian technology.





Thus, the long-term solution to stabilization is from production, and not just demand restraint. However, this will not be sufficient unless there is some improvement in the external terms of trade, particularly access to developed country markets at "just" prices--that is, prices which enable reasonable wages to be paid and leave enough to finance further expansion, once the imported inputs have been purchased. The present prices set by the world economy (that is, imposed by the developed economies) are not sufficient to allow this. This is not just a problem for Nicaragua, but for Latin America and the whole Third World, which is why the proposed New International Economic Order is so important. It is worth noting that this is essentially based on the concept of the "just price" discussed by Aquinas several centuries ago!

### 3. Financial Balance

The last step in stabilization was to construct and apply the internal financial balances that would be consistent with basic needs, on the one hand, and the external account, on the other. This, in a small way, was an innovation in planning technique, and derived in part from work done by Richard Stone at Cambridge in recent years. The method is based on the integration of the "sources and uses of funds" for the whole financial system with the national accounts upon which the annual economic program itself is based. The basic needs program determines the extent of government expenditure, while production targets the amount of domestic credit. Foreign finance, recuperation of credit from the previous year's agricultural cycle and savings deposits are the main sources of finance, along with a limited amount of monetary expansion in line with economic expansion and international inflation. Given these sources, and the need for production and investment



credits in the economic program, the permissible government budget deficit emerges as a remainder.

Thus, the total supply of finance is kept in line with the expansion of the economy and the availability of external resources. In principle, therefore, it will not be inflationary. The point here is that a "monetarist" policy can be applied as long as the basic balances of the economy are controlled beforehand. Given the requirements of finance within the plan for production and investments (in both the public and private sectors), the permissible government deficit to be financed by the Central Bank is the residual. Once the minimum budget consistent with basic needs requirements is met, then the targets for fiscal income are derived, framing tax and tariff policy for the next year. This oversimplifies the procedure somewhat, as a process of mutual adjustment in the targets has to be undertaken to achieve the proper balance, but this is the basic logic.

#### 4. Conclusion

Taking the first years of the Sandinista revolution as a whole, how successful has the policy been? As the figures in the Appendix indicate, GDP had recovered to about 85 percent of its pre-revolutionary level by 1983; this represents a considerable effort considering that the real volume of imports was 20 percent below its 1977 level and several sectors, such as fishing, mining and construction, were seriously affected by military conditions, while the livestock sector still needed more time to recuperate from the 1978-1979 slaughtering. As the tables indicate, real export volume in 1983 was still below the historical level, but in fact in real terms (in 1980 prices) the trade gap had been gradually moving into balance between 1980 and 1983, though this was not reflected in the balance of payments because of the dollar price



movements. In other words, if the prices of 1983 had been the same as those in 1977, there would only have been a modest deficit on current account, which could have been covered by normal development loans for the import of capital equipment.

Turning to the balance of internal demand, we see a rapid recovery of investment, which reached 1978 levels by 1981, but which had to be scaled back a bit to accommodate the expansion of military construction from 1982 onwards, which is not shown in the national accounts. With partial recovery of national income, a closing real trade gap, and rising investment, consumption was bound to suffer. Public consumption (that is, goods and services used by the government, mainly for health, education and other social services) has obviously expanded rapidly as part of the basic needs programs: the real level in 1983 was nearly three times that of 1977. Private consumption, therefore, although it recovered initially between 1979 and 1980, began to decline rapidly thereafter to make room for the other demand categories; in 1983 it was barely two-thirds of what it had been in 1977. Given that basic consumption (food, clothing etc.) was maintained, what was actually happening was a drastic decline in non-basic consumption, as we have explained above.

In sum, this is the logic of a stabilization program with economic justice.



APPENDIX

Gross Domestic Product  
(millions of cordobas at 1980 prices)

	1977	1978	1979	1980	1981	1982	1983
G.D.P.	29,353	27,050	19,902	21,892	23,052	22,779	23,683
Gross Fixed Investment	6,831	2,897	-1,266	3,364	5,201	4,302	4,351
Fixed	6,183	3,431	1,203	2,883	4,694	3,801	3,830
Inventories	648	-534	-2,469	481	507	501	521
Consumption	23,805	22,841	17,640	22,488	20,665	19,424	19,904
Public	2,351	2,843	3,045	4,107	4,658	5,446	6,286
Private	21,454	19,998	14,595	18,381	16,007	13,978	13,618
Basic	...	10,000	...	10,587	10,905	10,362	10,920
Non-basic	...	9,998	...	7,794	5,102	3,616	2,698
Exports of Goods and Services	6,800	7,413	8,484	5,039	5,789	5,323	5,800
Imports of Goods and Services	8,083	6,101	4,956	8,999	8,603	6,269	6,372

Trade Balance  
(millions of US dollars)

	1977	1978	1979	1980	1981	1982	1983
Export (f.o.b.)	636.2	646.0	615.9	450.4	499.8	405.8	432.0
Imports (c.i.f.)	761.9	593.9	360.2	887.2	999.4	775.5	807.0
External Terms of Trade (change)	15.6	...	-3.8	3.6	-20.5	-14.4	-12.2

General Price Index  
(annual change)

	1977	1978	1979	1980	1981	1982	1983
	11.4	4.6	48.2	35.3	23.9	24.8	31.0

Source: UN/ECLA based on Nicaraguan national accounts.





## NOTES

<sup>1</sup>"Popular governments" may be defined as governments that draw their support from, and intend to benefit, the majority of the population: industrial and agricultural workers, peasants, and low-income urban groups. (editors' note)

<sup>2</sup>See the report by the United Nations Economic Commission on Latin America, Nicaragua: Repercusiones Economicas de los Acontecimientos Politicas Recientes (August 1979). (editors' note)

<sup>3</sup>See E.V.K. FitzGerald, "The Economics of Revolution," in Thomas W. Walker, ed., Nicaragua in Revolution (New York: Praeger, 1982). (editors' note)

<sup>4</sup>See Alain de Janvry's paper, this volume. (editors' note)

<sup>5</sup>See Solon Barraclough, A Preliminary Analysis of the Nicaraguan Food System (Geneva: UNRISD, 1982). (editors' note)

<sup>6</sup>See CIERA, Distribucion y Consumo Popular de Alimentos en Managua (Managua: CIERA, 1983) and La Situacion del Abastecimiento (Managua: CIERA/MIDINRA, 1983). (editors' note)

<sup>7</sup>This model is developed more formally in E.V.K. FitzGerald, "Planned Accumulation and Income Distribution in the Small Peripheral Economy." in K. Martin, ed., Readings in Capitalist and Non-Capitalist Development (London: Allen and Unwin, forthcoming). (editors' note)

<sup>8</sup>See the references in the report by the International Monetary Fund, Recent Multilateral Debt Restructurings with Official and Bank Creditors, Occasional Paper 25 (December 1983). (editors' note)

<sup>9</sup>World Bank, Nicaragua: The Challenge of Reconstruction, Report No. 3524-NI (October 9, 1981). (editors' note)



<sup>10</sup>See Michael E. Conroy, External Dependence, External Assistance, and "Economic Aggression" Against Nicaragua, Helen Kellogg Institute for International Studies Working Paper No. 27 (July 1984). (editors' note)

