

〈論文〉

Mixed Economy and Transition in the Periphery

—Nicaragua, Hungary and China—

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INTRODUCTION

The dependency theory, which was born in Latin America, met many criticism in Japan also, although most objectors merely rejected it without analysis. One critique, however, is worth noting because it was positive and the point of view progressive. It argued that the dependency theory lacked a concrete method or a prescription to end dependency (Honda 1986 : 154). To this reviewer, it should be reminded that the dependency theory itself was a response on a theoretical level to Fidel Castro's declaration of April 1962 that Cuban Revolution was a socialist revolution (Harada 1982 : 2). Therefore, the critique may be seen as a good example of one wanting a foot when an inch is given. Moreover, if we understand well the *Frankian Impact* and reflect

sincerely on the various theories of underdevelopment, we cannot insist that a discussion of the Cuban model is irrelevant, and we cannot rise and chant, as the dogmatic would like us to do, that the prescription is socialism.

As always, theoretical questions preceded historical reality. The triumph of the Nicaraguan Revolution on 19 July 1979, was precisely a new challenge to the historical reality. The answer of the Nicaraguan people was to be "Mixed Economy". Combined to "Political Pluralism" and "No-alliance", they constitute the three basic principles underlying the Sandinista Popular Revolution. And because "Mixed Economy" was thought to be a concrete strategy to end underdevelopment and dependency, long debates and arguments over its meaning and what it entails took place in Nicaragua. To this day, the definition of "Mixed Economy" in the Nicaraguan context seems to have remain ambiguous. This paper will nevertheless summarize the debate (Harada 1988) and reflect on the significance of Mixed Economy for the transition to socialism (or communism) in the periphery of the present world capitalist system.

I NICARAGUAN EXPERIENCE OF MIXED ECONOMY (1979-89)

1 CREATION OF STATE SECTOR (1979-81)

Confiscation of properties previously owned by the Somoza and Somocistas, nationalization of the financial system (SFN) in July 1979 and of the foreign trade in August of the same year provided the Nicaraguan state with an important axis for accumulation. It also created a large state sector. While the share of the private sector decreased from 85% in 1978 to 59% in 1980 (Stahler-Sholk et al. 1989 :

61) the state sector, called APP (*Area de Propiedad del Pueblo*) grew to represent 41% of the GDP by 1980 (15% in 1978). Administering about 2,000 farms and totaling 1,120,000 hectares of land, it accounts for 20% of the total agricultural land and 17-20% of the total agricultural production of Nicaragua. As for the industrial basis of the state sector, it includes more than 50 enterprises or 25% of the total industrial production (Harada 1989 : 180).

If the creation of a state sector was an important element of the economic policy of the Sandinista government, reactivation of the economy was also a priority. In June 1979, the *Gobierno de Reconstrucción Nacional* published in its program, "Formation of Mixed Economy", the article 1, chapter 11 Economic Area, announced "the gradual advance toward the formation of a mixed economy in which will coexist : state and social ownership areas with a precise scope and clearly delimited activities of which the principal elements will be defined later ; private (ownership) area ; and a third area characterized by joint, or coordinated investment from the public and the private sectors" (Gilly et al. 1980 : 210).

It would seem that the Sandinista government did not think of increasing nationalization in this first stage. These policies were rather an attempt to administrate the enormous new state sector just created.

2 DEVELOPMENT OF MIXED ECONOMY (1981-86)

A turning point in the attempt to reactivate the economy was the Agrarian Reform Law of May 1981. The article 2, for example, declared that uncultivated or undercultivated lands larger than 350 hectares, or 700 depending on the region, were to be confiscated (Harada 1986 : 83). Later, and especially after the military invasion by

counterrevolutionary guerillas (*contras*) when reinforcing the alliance with the peasant class became crucial, this law was used to launch a new distribution of land. The strategy worked and the alliance between the Sandinista government and the peasant class was strengthened.

Another consequence of this agrarian reform was that the structure of land ownership in Nicaragua changed considerably after 1978, as the following figures show. Private ownership of land over 350 hectares decreased from 36% to 11% between 1978 and 1985 ; private ownership of land between 35-350 hectares decreased from 46% to 43% ; and from 18%, private ownership of land measuring less than 35 hectares was reduced to 8%. This change was to benefit greatly the cooperative and state sector. Indeed, social ownership by newly created credit and services cooperatives rose to 10%, production cooperatives acquired 9% and the state sector gained control of over 19% of Nicaraguan agricultural land (Harada 1989 : 182).

At this stage the aims of the agricultural policy were : 1) protection of the peasant class and increase in the production of basic cereals : 2) increase in the level of participation of agricultural workers and peasants into the process of agrarian reform : 3) strengthening of regional autonomy : 4) confirmation of private ownership. Its ultimate purpose was to restore the strength of the agricultural productive force by protecting those private farmers who manage their land efficiently. In other words, this reform meant the establishment of a mixed economy.

Thus in 1983, 436 farms totaling 294,000 hectares were confiscated. These private lands had been either unused (18%), inefficiently used (62.9%) or illegally rented (18.1%). In all, between October 1981 and the end of 1984, 1,410,000 hectares of land were redistributed to 64,000

peasant families. These families were either regrouped in: a) production cooperatives (441,000 hectares, 31.3%) and communities of indigenous people (35,000 hectares, 2.5%) which constitute social ownership, or b) left as private ownership to independent farmers (37,000 hectares, 2.6%), tenant peasants (809,000 hectares, 57.3%), and former squatters (89,000 hectares, 6.3%) (Wheelock 1985 : 120).

3 BASES OF NICARAGUAN MIXED ECONOMY AND CONSTITUTION OF 1987

Why was the strategy of mixed economy adopted in Nicaragua? The answer lies in the class structure of Nicaraguan agriculture. Before the triumph of the revolution, it consisted of; 1) a bourgeois class; owning land over 36 hectares but representing only 4.9% of the active agricultural population, they controlled 82% of the total agricultural land; 2) a peasant class; consisting of small farmers owning less than 35 hectares, they represented 58% of the population; 3) an agricultural proletariat and semi-proletariat class; they included 37.1% of the population (Deer & Marchetti 1985 : 78). Put together the second and third class included 95.1% of the agricultural population, that is, the absolute majority and the hegemonic class. It was therefore logical that the main goal of the agricultural policy in this stage had been to organize small farmers and peasants of the second class into cooperatives while increasing land ownership and cooperativization among the proletariat of the third class. At the same time, members of the bourgeoisie, who were producing 84% of agricultural export and bringing in foreign exchange, were protected as long as they were managing efficiently within the framework of the state corporation which held a monopoly on exports.

The strategy of mixed economy in Nicaragua can thus be summarized as the product of pragmatic countermeasures to the reality of a specific class structure, that is, a bipolarized structure of agrarian land ownership combined to an articulated structure of export sector and internal market sector.

This was the reality behind the adoption the Constitution of the Republic of Nicaragua, promulgated in January 1987, the article 103 specified that "the state guarantees a democratic coexistence of public, private, cooperative, associative, and communal forms of ownership; all of them, being parts of a mixed economy, are subjected to the superior interests of the nation and perform a social function" (La Gaceta 1987 : 48). Thus, the democratic coexistence of five forms of ownership was clearly defined, and moreover, the subjects of social ownership were specifically designated as being the cooperatives, self-managed (*autogestion*) enterprises and native people (*indigenas*) communities.

In 1982, 39.6% of the GDP of Nicaragua was produced under state ownership. It included over 21% of agricultural production, 18% of cattle breeding, 34.5% of forest products, 76.6% of fisheries, 30.7% of manufacturing, 92.3% of construction, 100% of mines production, 32.2% of commerce, 40.0% of communication and transportation, and 100.0% of electricity and waterworks (CIERA 1984 : 64).

4 ECONOMIC REFORM OF 1988

Until 1983 the recovery of Nicaraguan economy had seemed to proceed smoothly. The GDP (1976=100) in the years following the revolution had been 73 (1979); 78 (1980); 85 (1981); 67 (1982) and 71 (1983). In 1983, indexes for each industries were 103 in materials, 108 in

agriculture, 105 in cattle breeding, 59 in forestry, 41 in fisheries, 107 in processing, 116 in manufacturing and 51 in construction (Wheelock 1985 : 142).

After 1984, however, the economic situation in Nicaragua began to deteriorate. The growth rate of the GDP per capita became negative and the rate of unemployment rose to over 20%. The worsening of the situation is generally attributed to the counterrevolutionary invasion. Indeed, the cost of physical damage was to reach 250 million dollars by the end of 1984, and the loss in agricultural production and cattle breeding from 1982 onward amounted to 50 million dollars every year. Casualties numbered 13,000, including the loss of 6,000 lives (Ibid. : 83). Another economic consequence of counterrevolutionary activities was the apparition of hyperinflation beginning in 1985. From 35.4% in 1984, the rate of inflation soared to 219.5% in 1985, tripled to 681.6% in 1986 and hit 1,100% in 1987 (Inforpress 1988 : 188).

The Esquipulas II Accords in August 1987 made peace seem possible. And so, in February 1988, the Sandinista government responded by taking new economic measures, a kind of "NEP in Nicaragua" (Núñez 1989). This Sandinista's New Economic Policy is based on the laws of value, of supply and demand and takes in account international prices. Consequently, the *cordoba* (Nicaraguan currency) was devaluated, the balance between imports and exports considered, subsidies limited and the control of prices and market was removed. These measures aim at the recovery of a relative price structure, at establishing state control over the national economy and at ignoring inflation problems.

These new measures triggered a new round of objections, discussions and negotiations. Put briefly, the central question is : Are these

reforms an “adjustment” in mixed economy or a “return to capitalism”? It is precisely this debate that will form the second part of this paper.

II DEBATE ON MIXED ECONOMY

1 1986 SEMINAR ON MIXED ECONOMY

Even though Mixed Economy was declared a fundamental principle of the Sandinista Popular Revolution as stated in the “First Draft of the National Constitution of the Republic of Nicaragua” of February 1986, article 6 (Valenta & Durán 1987 : 333), what it involved had remained ambiguous. So in June of the same year, a seminar took place in Managua of which the theme was : “What is a Mixed Economy?” Was it a strategic project toward the construction of a new society, or a reality born out of particular conditions of Nicaraguan history and specific to them? In all, twelve participants represented various political parties, research institutes and one enterprise cooperative (COSEP).

Three lines could be seen emerging from these discussions. On one side, 1) the Free Marketists : a COSEP representative, for example, defined Mixed Economy as the simple coexistence of state and private sector and called for a free competition between them. For them, Mixed Economy is a tactic and only for a short period. Opposing them, 2) the Statists : they argue for the extension of the state sector and seem to be oriented toward Actually Existing Socialism. For them, Mixed Economy is only a ‘stage of transition’. Standing somewhat apart, 3) the Mixists : contrary to the previous groups, they see Mixed Economy as a “permanent strategic project”. Although they often appear to be adopting the middle road by approving the market system of the Free Marketists and the planning of the Statists, they truly

represent a third tendency since they are the only group that argue for the creation of social ownership such as found in self-managed enterprises.

Four points of their confrontation will be examined. First, is Mixed Economy a stage or a strategy? While some participants saw Mixed Economy simply as a stage of transition, others saw it as a strategic model that could be applicable over a long period. An academic of the Statist tendency, Francisco Lopez attempted to justify Mixed Economy as a transitional stage on the ground that at this time central planning is difficult to apply (Vijil et al. 1986: 22-24).

“Contrary to Marx’s predictions of the last century”, he says, “revolutions in this century have occurred in the most backward and dependent countries, that is, in the Third World [by our term, the Periphery-author’s note] . There, productive forces were left underdeveloped, small producers (peasants, artisans) still constitute a large segment of the population, and labour relations are not predominantly based on wages. Central planning, therefore, would be very difficult to implement.”... “One characteristics of this stage is the emergence of a violent class struggle. But because elements of capitalism may remain in the core, a full understanding of the essence of this struggle is often obscured. At this stage, aspects of capitalism and of socialism often coexist, and as a result, the period will be characterized by a high level of fluidity and mobility.”

Lopes describes this transitional period as follow: “A revolution at this stage might be the result of an alliance among the various sectors of society (including the bourgeoisie). This alliance, by putting forward the development of a national project will be able to end underdevelopment and dependency and create the material bases for a socialist

economy.”

Another academic of Mixist view José Luis Medal seemed to see Mixed Economy as a new economic model. He agrees the role of the state is to regulate the private sector, establish basic infrastructures, create and administrate strategic national enterprises and direct the economic development through indicative plans. His agreement, however, did not go as far as accepting Actually Existing Socialism because, as he states: “Marx never meant a model in which the state apparatus would be strengthened and in which a hierarchy would direct central planning from above. His conception of socialism is of a free association of small producers, from which eventually the state will become extinct.”

As for the transition, he adds: “Obviously, in an economy of transition, and particularly if totally and highly opened to foreign trade, mercantile relations do not only survive but are central elements of the economic system. Moreover, to identify the socialism of an economy directed from above, similar to the Asian mode of production, with a socialist mode of production is highly debatable” (Ibid. : 33).

In short, the question of Mixed Economy being stage or strategy was mostly a debate between Statists and Mixists. The former support Actually Existing Socialism while the latter criticizes it.

The second point discussed was the role of the State. On this, disagreement was total. Enrique Bolaños Geyer, representative of the enterprise cooperative (COSEP) and Free Marketist, was the strongest opponent to state intervention and especially to the nationalization of enterprises. He argued that state intervention and nationalizations are the tools of “state capitalism”. For him, Mixed Economy in Nicaragua is tactical, should last only a short period and complained that its scope

was not clearly defined. He criticized the fact that although COSEP has requested that a decision be made on the rules of the game concerning the rate of participation of the public and private sector in the GDP, the government has not replied and instead has promoted nationalization. He maintained that “there is no excuse nor pretext to prolong a state capitalism that would result the reduction and the eventual elimination of the private sector” (Ibid. : 103).

Medal, for his part, explained his Mixist views in the following manner. “The first element of definition of the role of the state in a Mixed Economy is that it regulates the flow of the factors of production rather than exercising absolute monopoly and controlling them” (Ibid. : 39). He further described in detail the role of the state :

“The state must concentrate on the development of strategic agro-industrial enterprises and provide technological assistance in the development of cooperative and self-managed (*autogestion*) enterprises. Exploitation of primary resources such as forests and mines must be under State control, although joint investment is not to be excluded”. “As for the secondary sector, various social agents must be allowed to operate freely. In the tertiary sector, the National Financial System (SFN) must be under state monopoly but unsubsidized foreign banks can be allowed to operate. Small commerces must belong to either private, cooperative or self-managed enterprises with no participation from the state. For large scale commercial enterprises, on the other hand, trend toward nationalization should be modified. Rather, a regulated participation of the private, cooperative and self-managed enterprises should be allowed. Hotels and restaurants must belong to the same sectors and joint investment could be allowed. Finally, transportation should be predominantly the domain of cooperatives or

self-managed enterprises.”

The third item put on the agenda was the definition of social ownership. Here again, there was no agreement among the participants on the need to establish workers' social ownership of means of production. The Statist view, which identifies State with proletariat was opposed to any autonomous intermediary institution of civil society. It did not recognize necessity of self-managed enterprises either, because it implies a social form of ownership or ownership by institutions other than the state.

Opposing them Medal, supporting a Mixist view, described his model of “democratic socialism”. Instead of central planning he proposed self-management and joint-management (cogestion). “Self-management has been defined as the democratic administration of an enterprise by the workers. It supposes social—not state—ownership of enterprises.” “The concept of self-management, in its wide meaning, refers not only to ownership of enterprises but also to control over all institutions of society. It aims at transforming participative democracy into direct democracy by allowing workers to defend their interests against bureaucratic centralism”. “It entails a critique of liberal representative democracy and the Leninist-Stalinist model” (Ibid. : 33).

He also criticized Actually Existing Socialism. “The concept of ‘social ownership’ of self-managed enterprises entails a critique of the orthodox marxist position. Social ownership would free the workers of their capitalist masters or their statist tutors. It rejects the notion that state ownership equals social ownership by the workers, and denies the state represents the proletariat. It means refusing to identify, as in the Soviet system, the state with workers. Instead, it means decentraliza-

tion of power” (Ibid. : 34).

Furthermore, added Medal, “Joint-management can be defined as a participation of workers in the direction of enterprises and share in their profits. It rests on the view that workers must share ownership and economic returns of the enterprise, and participate in its management.” “At an ideological level, it has been promoted by social democrats and christian democrats. For them, a model of Mixed Economy includes state intervention at the macro-economic level, and workers participation at the enterprise level” (Ibid.). The orthodox marxist position on the other hand, refuses joint-management as a model because it always likens it to a reform of capitalism.

Fourth, a final point to be discussed was the interrelation between economic system and political power. While some thought that power for workers should be established and guaranteed through a nationalized system, others believed that nationalization creates a new dominant class, and that plural forms of ownership as well as effective participation of workers will result in the diffusion of power and permit the development of democracy.

This meant again a confrontation between Statists and Mixists. Of the latter, Xavier Gorostiaga said: “Mixed Economy does not have to be considered as a model but can be part of a process of social, economic and political transformation in the countries of the Third World.” He also emphasized the unity of economic and political factors: “Mixed Economy, Political Pluralism, No-alliance and participative democracy have been defined as the central elements of the Sandinista Revolution. These four elements are constituent and interdependent so that the elimination of any one of them would break the balance and the originality at work in the Sandinista Revolution”

(Ibid. : 53-55).

Another Mixist, Medal, presented his model of 'democratic socialism': "A possible opinion, that is, the socialization of economic, political, and social powers could be inscribed in the current of democratic socialism. It requires not only various juridical forms of ownership, but also the participation of workers in the direction of the state and in private enterprises, the creation of self-managed enterprises, the promotion of cooperatives, the effective participation of various social sectors in economic and political organizations involved in decision-making, autonomous and free trade unions, and, in general, the development of democracy. There are other options such as 'dictatorship of the proletariat' or private capitalism. But, for some the first eliminates the autonomy of intermediary institutions of civil society and leads to the creation of a new privileged class, and the second consecrates the domination of the private bourgeoisie" (Ibid. : 42).

III REFLECTIONS ON TRANSITION IN THE PERIPHERY

1 THEORETICAL FRAMEWORK (Harada 1988: 77).

In light of this debate on Mixed Economy in Nicaragua, a theoretical framework of the transition from underdevelopment and dependency can be established.

We will start from the hypothesis that social unity is constituted of political, social, and economic spheres, or by Althusserian term "*instances*". This social unity once existed perhaps as a community. As Karl Polanyi explained before, the State (political instance) and Market (economic instance) were embedded in the Society. People lived in Society and dealt with all political and economic matters. In modern

days, an evolutionary process resulted in the separation of State from Society. Later the State came to stand above, thus forcing down an power hierarchy on the Civil Society. Market came also to be distinguished from Society creating the ideology of production for exchange (fetishism of merchandise) and spreading it down into the Society. From that time on, relations and articulations among the three instances weakened or worked only unilaterally, and the organic functions of social unity became feeble. It was precisely as a mean to restore these organic articulations among the three areas of human activities that the idea of socialism was first conceptualized. In other words, socialism aims at the institutional regulation of State and Market by the Civil Society.

In the Periphery, however, the colonial past hindered the modernization of the Society. Often, the State was inherited from the colonial governments and among the markets, the external one was given the first consideration. The result was that in the Periphery the process of social evolution was skewed and that these economies have yet to mature and gain in complexity. In fact, on one hand socialism in the Center would be realized by the restoration of a higher level of Civil Society. On the other hand, socialism in the Periphery will be realized as the result of a development and maturation of the political and economic instances while the social instance (including indigenous communities) must establish the Civil Society itself.

In effecting this transition, the social sphere must be articulated and integrated with the political. Hypothetically we call it "Political Democracy" in the same way that we call the articulation of the social sphere with the economic sphere "Economic Democracy". Then, social form of ownership, rather that state and private ownership, must be

strengthen as to allow Civil Society to regulate State and Market.

2 COMPARISON OF NICARAGUA WITH THE HUNGARIAN AND CHINESE CASES

1) The Hungarian "New Economic Mechanism" (Morita 1989)

The Hungarian economic reform of 1968 will be considered from the point of view of mixed economy. The central idea behind this reform was the formation of a "regulated socialist market". This meant, in fact, the abolition of centralized command system, a decrease in planning and a renewed belief in market principle. A mixed price mechanism was introduced, that is, commanded prices for consumption goods and market prices for production goods. Some economists called this "indirect centralized system" or "nor planned nor market economy" while Professor Morita described it as a system adjusted by the market at the micro level and by the government at the macro level.

This reform however did not succeed. This is partly because of the overwhelming power of state ownership and partly because of the limitations of both internal and external markets. Indeed, because the Trinity of party-state-big enterprise was not modified, the reform was doomed to fail. But, as it can be seen now, Hungarians did learn from this experience. When the Program of the New Socialist Party was made public in October 89, it stated that: "the fundamental forms of ownership are state, social and private ownership... The basis for the transformation of ownership is the socialization of state properties. The most important form of social ownership is the cooperative. We shall create means of ownership by regional residents, regional government and institutions of social security" (*Asahi Shimbun*, 10 October 1989).

2) Contract Production System in China (Yamanouchi 1988)

In 1978, the Chinese government began promoting new economic reform. The principal tool used was the *contract production system* and it was applied in agriculture and in industry. A) In agriculture, the contract production system became a form of decollectivization of the People's Communes. Although land remain collective property, the use of land (or more exactly its usufruct) was redistributed to peasants for a period of 3 years. Later, it was prolonged to 15 years. By 1984, this system had been adopted by 96.6% of peasant families, and had brought about a substantial increase in productivity. The annual growth rate of agricultural products which had averaged 3.2% during the years 1952-78, grew to 11.1% in 1982, 9.6% in 1983, 17.6% in 1984, 14.2% in 1985 and 10.8% in 1986. Further, it strengthened peasant autonomy against bureaucratic domination. On the negative side, it reduced the scale of management. Therefore it seems that recollectivization will become again a necessity in the future.

B) Contract production system in industry. It began slowly in 1978 by increasing the autonomy of enterprises and by establishing public ownership as well as mercantile economy. In 1987, the contract production system was fully introduced. Professor Yamanouchi called it "pseudo-private ownership" but it had less possibilities than the stock system introduced in 1984. He also pointed out that the most important change was the buying and selling of state enterprises that began to take place in 1987.

This means a very significant change in the Chinese State Socialism because it effectively realized the separation of management from ownership through 1) contract, 2) stock system. Further, buying and selling state enterprises ownership also changed the structure of owner-

ship.

CONCLUSION

This paper first presented the experience of Mixed Economy and the debate it fostered in Nicaragua. Subsequently, we have reached something like a conclusion on transition in the Periphery of the world capitalist system.

(1) Transformation of ownership: The importance of social ownership must be emphasized, because it is the essential factor in the establishment of a "Democratic Socialism of Civil Society" (Núñez 1989: 5). We can schematize that Mixed Economy should be characterized as: a) predominance of, or orientation toward social ownership; b) decrease in state ownership unless complementing social ownership; c) private ownership which would be converted in social ownership in the long term. An economy with only b) and c) is called "Capitalist Mixed Economy". And so we may call democratic socialism "Socialist Mixed Economy."

(2) Separation of management from ownership: Orthodox theory takes the concept of ownership in its widest sense and includes management since it necessarily accompanies central planning. But, state ownership does not necessarily means management by the party itself as the Chinese example showed.

(3) Price system and marketization: The introduction of a price system (law of value) seems often to be confused with marketization of the whole economy. If we consider planning as an adjustment at the macro level based on welfare or equality (use value), it may then be compatible with a market=price system based on efficiency and

exchange value.

My last words in this conclusion will be that the economic reforms now proceeding in Eastern Europe and China never meant a return to capitalism as it is thought by the governments of the West, and especially by Mr. Bush and Ms. Thatcher. And, neither does the Mixed Economy attempted in Nicaragua.

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postscript

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Later I saw an article which supported my conclusion. In the Spanish magazine "El Mundo" (31 October 1989 : 20), Nicaraguan president Daniel Ortega declared "Nicaraguan Revolution is not influenced by these [Eastern European countries] changes. It has

appeared as a revolutionary project but with the principles of Mixed Economy, Political Pluralism and No-alliance. These elements are being taken now by many of these countries.” (author’s translation)

Finally, I would like to express many thanks to friends at my university and students of my seminars as well as to Ms. Johanne Grenier (French-Canadian research student at Kyoto Kogei-seni Daigaku). I dedicate this paper to the people who are fighting for their and our own liberation in all parts in the Periphery, and especially now in El Salvador.

from “Rincón de América Latina” in Kobe, 17 December 1989.

