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An illness called Managua

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***Abstract:** This paper focuses on Managua's urban development in order to explore the underlying dynamics of post-revolutionary Nicaraguan society, using the city's evolution as a window onto the evolution of the country's political economy, but also highlighting its role as a major contributing factor shaping the specific transformations that this particular political economy has undergone. It begins by providing a view from barrio Luis Fanor Hernández, a low-income neighbourhood in the city which graphically encapsulates the general movement of Nicaraguan society from a sense of revolution-fuelled collective purpose in the 1970s and 1980s to more individualised and segregated socio-spatial practices in the 1990s and 2000s. The paper then moves on to consider Managua's development more broadly in order to seek further insights into the underlying nature of this particular trajectory. The changing morphology of the city, its determinants, and the key actors involved, all point to salient elements to be taken into account in order to attain a more nuanced comprehension of the logic of post-revolutionary Nicaragua, which is then explored in a third section. What emerges starkly from this threefold panorama is that while the particular urban development of Managua can be seen as a reflection of the persistent oligarchic structure of Nicaraguan society, it is also a major pathological factor – an 'illness', one might say – that contributes to the perpetuation of this oligarchic configuration, albeit in a renewed form.*

Managua, the capital city of Nicaragua, has been described as 'among the ugliest capital cities in the [Western] hemisphere' (New York Times, February 17, 2002, quoted in Babb 2004: 541). Tourists are generally advised to spend as little time as possible in the metropolis, and some tour operators even skip it altogether, preferring to ferry visitors directly to the luxury self-contained seaside resort of Montelimar or to the historic colonial cities of León and Granada. In a famous essay entitled 'An illness called Managua', however, the celebrated Nicaraguan poet Pablo Antonio Cuadra contended that it was a city that was paradigmatically 'the reflection of [Nicaraguan] society, of its grace and its bitterness, of its vice and its beauty, of its history and its community' (quoted in La Prensa, December 13, 2002). His sentiment was echoed more theoretically by the social historian Charles Tilly in a classic article on the value of urban research, in which he argued that the study of urban contexts potentially provided privileged insight into the dynamics of large-scale socio-economic processes (Tilly 1996). On the one hand, this was due to the fact that state power and commercial-productive activity are almost always concentrated in cities, and this therefore constituted them as ideal sites in which to observe the basic dynamics of such macro processes. On the other hand, however, Tilly also claimed that there was a close connection between the internal lives of cities and the wider and changing configurations of power and production within which they lay.

Following both Cuadra and Tilly's intuitions, this paper focuses on Managua's urban development in order to explore the underlying dynamics of post-revolutionary Nicaraguan society, using the city's evolution as a window onto the evolution of the country's political

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economy, but also highlighting its role as a major contributing factor *in and of itself* that has shaped the specific transformations that this particular political economy has undergone. It does so beginning with the view from *barrio* Luis Fanor Hernández,² a low-income neighbourhood in the city which graphically condenses key moments of Nicaragua's recent history, in particular encapsulating the general movement of society from a sense of revolution-fuelled collective purpose in the 1970s and 1980s to more individualised and segregated socio-spatial practices in the 1990s and 2000s. The paper then moves on to consider Managua's metropolitan development more broadly in order to seek insights into the underlying nature of this particular trajectory. The changing morphology of the city, its determinants, and the key actors involved, all point to salient elements to be taken into account in order to attain a more nuanced comprehension of the logic of post-revolutionary Nicaragua, which is then explored in a third section. What emerges starkly from this threefold panorama is that while the particular urban development of Managua can clearly be seen as a reflection, or 'symptom', of the persistent oligarchic structure of Nicaraguan society, it is also a major pathological factor – an 'illness', one might say – that contributes to the perpetuation of this oligarchic configuration, albeit in a renewed form.

Imagine, if you will, *barrio* Luis Fanor Hernández. It is a small neighbourhood located in South-Eastern Managua, composed of about 400 households and 3,000 inhabitants, originally founded as an illegal squatter community by rural-urban migrants in the early 1960s. It was at the time one of many such informal settlements that mushroomed in and around Nicaraguan urban centres due to the disruption of traditional agrarian society by the spread of agro-export capitalism, although it rapidly became very notorious in Managua for its extreme poverty. As a long-time resident called *Don Sergio* vividly described in an interview in November 1996:

'the *barrio* was called 'La Sobrevivencia' then, because we were so poor that all we ever managed to do was survive. Whenever you asked anybody in those days how they were, they'd always answer '*pues, sobreviviendo...*'. Life was very, very hard then. The government never helped anybody – in fact, it actively persecuted us instead! – and people had to do almost anything they could in order to make a living – wheel and deal, rob, scavenge on the streets and on the rubbish dumps, looking for anything that could be sold as scrap, recycled, or reused – old cans, bottles, paper, food, anything... Even our houses were made of whatever we could scavenge – bits of wood, scrap metal, plastic, cardboard... We were known as '*los Sobrevivientes*', because there was so much poverty here that you would surely die under normal circumstances! We didn't always eat, and there was lots of malnutrition, and many children and sometimes even adults died of disease and hunger'.

Not surprisingly, perhaps, La Sobrevivencia rapidly became a hotbed of resistance to the ruling Somoza dictatorship and its repressive policies, venal self-accumulation and urban neglect. Several Sandinista National Liberation Front (FSLN – Frente Sandinista de Liberación Nacional) guerrilla cells were established in the neighbourhood during the 1970s, and it subsequently suffered heavily during the ultimately victorious 1979 revolutionary uprising led by the FSLN. The neighbourhood was attacked by *Somocista* National Guard tank columns and bombed by National Guard planes, to the extent that, as *Don Sergio*

² *Barrio* Luis Fanor Hernández and the names of all its inhabitants mentioned in this article are pseudonyms.

commented rather dryly, ‘after the insurrection, there were almost no houses left standing in the *barrio*, because they were all destroyed in the fighting!’ *Don Sergio* however then went on to describe enthusiastically how:

‘the triumph of the revolution changed everything, and gave us new houses, electricity, and water. A few months after Somoza was defeated, Daniel Ortega who was the new president came and told us that the revolution would help us overcome our poverty. He told us how the Cubans had donated prefabricated houses to Nicaragua, and that because we were the poorest neighbourhood in all Managua, we had been chosen to be the pilot project for a new *Sandinista* approach to urban development. We were all to get houses, determined by lottery, and build them ourselves by means of Mutual Aid. And that’s how it was, we all worked together, to build our *barrio*, everybody, the whole community. The houses, the roads, the alleyways, the electricity, the water, the sewage, everything was built through the efforts of the inhabitants of the *barrio*, and nobody else!’

Barrio Luis Fanor Hernández – as *La Sobrevivencia* was renamed to honour a local *Sandinista* martyr – however ended up being just one of a small handful of slum upgrading projects that were actually carried out, as the revolutionary government’s ambitious urban development plans for Managua rapidly ground to a halt, largely because of the need to prioritise rural food production in the face of the trade embargo imposed by the USA from 1981 onwards. *Sandinista* urban development initiatives furthermore called for sustained follow-up maintenance by both local communities and the Nicaraguan state. After initially enthusiastic and high levels of participation, the former crumbled in the face of the growing economic crisis that Nicaragua suffered during the latter half of the 1980s, while the latter’s action was severely curtailed due to the channelling of public resources to finance the revolutionary regime’s crippling war of defence against US-sponsored counter-revolutionary forces, known as the *Contra*, from the mid-1980s onwards. The newly built infrastructure in *barrio Luis Fanor Hernández* decayed very rapidly, and by the time I first visited the neighbourhood in the mid-1990s, inhabitants frequently complained that things had ‘come back full circle to the time of *La Sobrevivencia*’. *Don Sergio* dramatically described how:

‘the houses are falling apart, the electricity’s been cut off because nobody can afford it. Nobody cares about cleaning up the public areas of the *barrio*, nobody does anything for the upkeep of the neighbourhood. The streets are dark because none of the lights work anymore, the sewers are blocked, and the roads are pot-holed. Nobody does anything for the good of the community anymore, they only act for themselves, according to their self-interest. We’re eating one another, as they say in the Bible...’

This situation of general demoralisation was compounded by the *Sandinista* party’s shock electoral defeat in 1990, which brought a decade of state-led revolutionary social solidarity to a close. A new ethos of reduced state intervention in public affairs became the hallmark of *fin-de-siècle* Nicaragua, as the governments of Violeta Chamorro (1990-1997), Arnaldo Alemán (1997-2002) and Enrique Bolaños (2002-2007) expediently adopted Washington Consensus policies of minimal government and maximum marketisation. Of the 370 state enterprises that existed during the revolutionary period, for example, 289 were privatised by

1993, and all but eight by 1998 (Mayorga 2007: 59), generally in a less than transparent and chaotic manner. This mass privatisation process had a clearly negative impact for most of Nicaraguan society, as was perhaps most evident in relation to state utility companies. The Nicaraguan electricity company, ENEL (Empresa Nicaragüense de Electricidad), was, for instance, broken up into several distinct entities, and saw its distribution network sold in 1998 to the Spanish multinational Unión Fenosa. The Unión Fenosa was the only bidder, and consequently obtained a monopoly over the distribution of electrical power to the entire country (for 50 percent of the grid's originally assessed value). As a result, the multinational has had little incentive to invest in improving the country's inadequate and antiquated power network, preferring to increase rates instead, such that the 50 percent of the population that receives power in Nicaragua has suffered price hikes ranging from 100 to 400 percent (Christian Aid 2007: 6). Indeed, the situation has gone from bad to worse, as the country currently suffers recurrent power blackouts, partly as a result of the system's lack of maintenance.³

In view of such developments, I expected little to have changed in *barrio* Luis Fanor Hernández when I returned for a visit in the early 2000s, especially as the Nicaragua's macro-economic indicators had not improved much during the previous few years. It therefore came as a great surprise to immediately observe signs of significant economic improvement. Most obviously, about 60 percent of what had been a relatively uniform neighbourhood of ramshackle, mainly wooden, washed out, monochrome houses had undergone a very visible process of infrastructural amelioration, with a significant proportion of these houses now bigger, (re)built in brick and concrete, often painted in bright pastel colours, and in some cases even two stories high. The changes inside many of these houses were just as impressive and extensive, as they now displayed tiled instead of dirt floors, fitted kitchens instead of gas burners, and (local) designer instead of second-hand furniture, as well as luxurious appliances such as wide-screen televisions with cable services, mega-wattage sound systems, Nintendo game consoles, and in one particularly surreal case a broadband-connected computer with Skype. The inhabitants of these new houses wore better-quality – often brand-name – clothes than had generally been the norm previously, displayed ostentatious jewellery and expensive watches, had the latest model mobile phones – in a neighbourhood where only a dozen households had had land lines in the mid-1990s – and ate imported food which they tended to buy in supermarkets rather than the local open-air market.

These material improvements in *barrio* Luis Fanor Hernández were not universal, however, and were linked to the emergence of very particular and novel processes of income generation, including new patterns of labour migration and the importation of second-hand cars from East Asia that were subsequently being used as taxis (Rodgers 2004a). The most significant new activity, however, was drug trafficking, with about two-thirds of the improved houses in *barrio* Luis Fanor Hernández owing their betterment to this source. Cocaine dealing emerged in the neighbourhood around mid-1999, initially on a small scale involving just one individual but rapidly expanding into a three-tiered pyramidal drug economy by mid-2000. At

³ The Nicaraguan government attempted to fine the Unión Fenosa in early 2007 to the tune of US\$2.4 million, and threatened to renationalise the distribution of electricity, but backtracked rather hastily on both counts when the company formally complained to the World Bank's Multilateral Investment Guarantee Agency (MIGA), with which it had contracted insurance on terms that made the Nicaraguan government liable to pay US\$53 million compensation in case of attempted renationalisation. Negotiations are now ongoing between the Nicaraguan government and the Unión Fenosa in order to try to agree a buy-back deal, most likely at a much higher price than the original sale. To be fair, the problem is not just due to inefficient distribution but also to a lack of generating capacity in Nicaragua, for which blame has to be laid on the short-sightedness of private investors, big business and government decision-makers during the past few decades.

the top of the pyramid was the *'narco'* who brought cocaine in from the Caribbean coast of Nicaragua.⁴ The *narco* wholesaled his goods to, among others, nine *'púsheres'* in the neighbourhood. *Púsheres* resold this cocaine in smaller quantities or converted it into crack which they sold from their houses, mainly to a regular clientele, as well as to nineteen *'muleros'*, who were the bottom rung of the drug dealing pyramid and who sold small doses of crack to all comers on the neighbourhood's street corners. There were thus twenty-nine individuals directly involved in drug trafficking in the neighbourhood, but numerous others were also indirectly involved, for example as *'bodegueros'* stashing drugs in their houses for the *narco* or for *púsheres* in exchange for payment.⁵

The potential rewards of being associated with the drugs trade were substantial at all levels of its pyramidal economy. At the bottom, a *bodeguero* could be paid anything between US\$15 and US\$70 to keep drugs, depending on the quantity and the length of time they had to be stored, while *muleros* made around US\$450 a month, and *púsheres* made upwards of US\$1,100 (see Rodgers 2007 & 2008b).⁶ In a local neighbourhood context where about half of the economically active population was unemployed, a further 25 percent underemployed and where those who did work earned a median monthly income of about US\$105, such sums were extremely significant. They were also more than welcome in a broader context of extremely limited economic opportunities. As a *mulero* called Kalia put it colourfully during an interview in February 2002:

'what the fuck do you do when you don't have any food and there's no work to be had? You have to find some other way to look out for yourself, that's what! That's where the drugs come in, it's the only thing that's worthwhile doing here in the *barrio*'.

Kalia was echoed by a local *púsher* called Bismarck, who furthermore explicitly compared the drug-fuelled infrastructural improvement in *barrio* Luis Fanor Hernández with the *Sandinista* reconstruction of the neighbourhood in the early 1980s. We were sitting talking in his plush new home, when he asked me:

'so, Dennis, how do you see the *barrio* now? It's been what, almost 5 years since you were last here? Things have changed, haven't they? What do you think of my house, do remember how it used to be a wood shack with cardboard instead of window panes?'

⁴ The Caribbean coast of Nicaragua is the natural first geographical transshipment point for much of the cocaine moving from the Andean drug-producing areas to North American markets. The *narco*, who was originally from the Caribbean coast, initially obtained his cocaine through family contacts who beach combed packets of drugs dumped at sea by traffickers being chased by the authorities, but by the end of 2003 he had developed links with a Colombian cartel to ensure a more regular drug supply. For a well-illustrated media report on the Caribbean coast's cocaine bonanza, see Rory Carroll, 'Cocaine galore! Villagers live it up on profits from "white lobster"', *The Guardian*, 9 October 2007, <http://www.guardian.co.uk/international/story/0,,2186573,00.html>.

⁵ The *narco* and *púsheres* thereby involved other households in the trade and minimized the risks of denunciation, and also spread their drug stocks around different locations in the neighbourhood in case of police raids (although these were extremely rare, and corrupt policemen would generally provide tip-offs).

⁶ I have less detailed information concerning the neighbourhood *narco*, but he clearly made a sizeable profit, and was able to afford two houses in *barrio* Luis Fanor Hernández, one in a neighbouring *barrio*, another in a richer part of the city. He had also built a new house for his parents who were living in the neighbourhood, and owned a fleet of eight taxis, as well as two more cars for his personal use, and a couple of motorcycles.

‘Yes, I mean, wow, it’s absolutely incredible how it’s changed, Bismarck! All this concrete, these brick, these tiles, and this electronic equipment... It’s all because of drugs?’

‘That’s right! You wouldn’t believe how much money you can make selling that shit!’

‘Well, it’s certainly impressive, I have to admit. I never thought I’d see anything like this, last time the *barrio* seemed to be almost regressing back to being *La Sobrevivencia* again...’

‘So it was, but now it’s been rebuilt like after the Revolution, except that instead of *Sandinismo*, it’s the market that’s been helping us!’

‘I guess you could put it that way, but don’t you think there’s also a big difference between *Sandinismo* and the market? I mean, the drugs aren’t helping everybody, are they? Sure, there are lots of nice, new houses in the *barrio* now, but some of these new houses are better than others. Yours is much nicer than Kalia’s next door, for example, although he also sells drugs, and there are also many houses in the *barrio* that haven’t changed at all since I was here last. There’s lots of inequality now, which wasn’t the case before, and that can’t be a good thing.’

‘Well, you can’t help everybody, you know. Life is hard here in Nicaragua, Dennis, and you’ve got to be clever and try to survive by hook or by crook. Kalia’s just plain dumb, he uses his profits from selling drugs to smoke up, and then loses his head and can’t sell properly. And those who don’t have the drugs to sell, well, that’s just the luck of the draw. It’s like the lottery that attributed the houses in the rebuilt *barrio* to everybody, some people got bigger and better located houses than others, but nobody complained because it was all random, and everybody had the same chances to start off with.’

Drug trafficking in *barrio* Luis Fanor Hernández was clearly not just the luck of the draw, however, and not everybody had the same opportunities to participate. Drug dealing was intimately linked to a particular political economy, with the individuals benefitting those who possessed a local monopoly over the use of violence, insofar as the *narco*, *púsheres* and *muleros* were all members or ex-members of the local gang (see Rodgers 2006). Their violence was deployed against local neighbourhood inhabitants not involved in the drugs trade in order to precipitate a generalised state of terror and ensure that the local drug economy operated unimpeded, as an inhabitant of *barrio* Luis Fanor Hernández called *Doña* Yolanda dramatically described during an interview in February 2002, specifically contrasting the situation with the mid-1990s, when the gang had a more socially solidaristic ethos:

‘before, you could trust the gang, but not anymore... They’ve become corrupted due to this drug crack... They threaten, attack people from the neighbourhood now, rob them of whatever they have, whoever they are... They never did that before... They used to protect us, look out for us, but now they don’t care, they only look out for themselves, for their illegal business... People are scared, you’ve got to be careful

what you say or what you do, because otherwise they'll attack you...
We live in terror here, you have to be scared or else you're sure to be
sorry...'

From this perspective, a conceptual parallel can arguably be made between drug trafficking in *barrio* Luis Fanor Hernández and processes of primitive accumulation, with drug dealers violently establishing their drug markets in the neighbourhood and thereby constituting themselves as a nascent local 'narco-bourgeoisie' making it good within a context of otherwise extreme poverty and limited alternative opportunities for capital accumulation.

The developmental trajectory of *barrio* Luis Fanor Hernández is in many ways a microcosmic reflection of the urban evolution of Managua more generally. The city – which was originally designated as Nicaragua's capital in 1852 as a compromise over the more important but constantly feuding colonial cities of León and Granada – was relatively marginal until the middle of the twentieth century, but exploded to prominence with the increasing mechanisation of Nicaraguan agriculture and, to a lesser extent, urban industrialisation from the 1950s onwards. Its population growth rate averaged 6.2 percent a year between 1950 and 1971, compared to 3.1 percent in other urban centres, and 1.6 percent in rural areas, and over the course of the next two decades Managua grew to become the largest city in Central America, with over a quarter of a million inhabitants in 1960 and almost 450,000 by 1970 (Higgins 1990: 380). The overwhelming majority of this growth occurred in the ever-expanding informal settlements on the city's periphery that the Nicaraguan political sociologist Reinaldo Téfel Vélez famously described as 'the Hell of the Poor' (Téfel Vélez 1974), implicitly contrasting them with the bustling metropolitan centre of bars, dance-halls and cinemas, which during the 1960s became a magnet for wealthy tourists from all over North and South America, a playground known as 'Salsa City', where 'every day is made for play and fun, 'cos every day is fiesta', as Guy Lombardo sang in his classic tune *Managua, Nicaragua*.

The party in 'Salsa Managua' was rudely interrupted on 23 December 1972, however, when the city suffered a devastating earthquake that killed 20,000 people, destroyed 75 percent of the city's housing, 90 percent of its commercial buildings – including most of the city centre – and left 300,000 homeless (Black 1981: 57). Although international aid poured into Nicaragua to help rebuild its shattered capital, little systematic reconstruction actually took place because most proposals 'tended to be unrealistic, expensive, or simply contrary to the interest of the ruling Somoza family' (Chavez 1987: 227). Somoza appointed himself head of the reconstruction committee that was set up after the earthquake, and his companies were attributed over 80 percent of reconstruction contracts, although less than 20 percent were actually completed, and most of rebuilding efforts were directed to land that Somoza, his family and cronies owned on the periphery of the city (Godoy Blanco 1983). As a result:

'the destroyed central part of Managua was not rebuilt and... was virtually abandoned. Only a few buildings survived the earthquake, and the central core took on a post-apocalyptic look.... The rebuilding effort that did take place... created new residential areas east-south-east of the city centre... This gives the city the appearance of a deformed octopus. The tentacles of the octopus reach out along major transport arteries away from the old centre, but the octopus's body is riddled with gaping holes'. (Wall 1996: 48-9)

The lack of reconstruction and obvious venality of the Somoza regime following the 1972 earthquake played a major role in intensifying resistance against it. FSLN ranks swelled and the organisation's – until then relatively inefficient – guerrilla action rapidly became a full-blown insurgency that overthrew the dictatorship on 19 July 1979. The revolutionary junta that subsequently took power rapidly drew up ambitious plans to reconstruct and transform Managua, proposing a series of new strategies to order and upgrade informal settlements, regulate land use and rebuild the infrastructure destroyed by the 1972 earthquake and during the revolutionary insurrection. Low-cost housing for the poor, in particular, was made a major priority, and over 8,000 serviced lots were built in the city between 1980 and 1983, in preparation for a series of large-scale self-help housing construction programmes (see MINVAH 1980). This never materialised, however, as the trade embargo imposed by the US from 1981 onwards, and the civil war against the US-sponsored *Contra*, meant that the revolutionary state's meagre resources were progressively re-channelled towards more immediately pressing needs such as food production and national defence during the course of the 1980s (Massey 1986). The arrested urban development of *Sandinista* Managua was further compounded by a massive influx of displaced persons from the countryside due to the war, which overburdened the already deficient urban infrastructure and led to an explosion of new marginal squatter settlements, mainly on the outskirts of the city, but including some among the still uncleared ruins of the old city centre, something that was widely perceived as symbolic of the revolutionary regime's failure to significantly transform Managua. While the annual rate of rural-urban migration to the city averaged some 28 per thousand during the decade prior to the revolution, by 1983 it was estimated to have risen to 46 per thousand – equivalent to almost 30,000 new inhabitants per year (Chavez 1987: 234).

Not surprisingly, perhaps, by the early 1990s Managua was widely nicknamed '*la ciudad caótica*' – 'the chaotic city' – and its anarchic predicament was not improved by the return of large numbers of *Contra* rebels and their families from Honduras and Costa Rica following the *Sandinista*'s electoral loss and the end of the civil war. This led to widespread social conflict and processes of spatial polarisation in the city (Lancaster 1992: 293-4), most evident in the emergence of new settlements with explicit political associations, such as *barrio* '3-80' in South-Central Managua, for example, so-named after the *nom de guerre* of Enrique Bermúdez, a former Lieutenant Colonel in Somoza's National Guard before the revolution and commander of the Northern Military Front of *Contra* operations during the civil war, or the 'Omar Torrijos' spontaneous settlement in the North-East of the city, with obviously different political affiliations. Regime change also led to the return of many wealthy Nicaraguans who had left Managua for the US in 1979, and these arguably had an even more significant impact on the city's morphology through their frenetic conspicuous consumption. As David Whisnant observed:

'determined efforts by the 'Miami boys' (as they are called)... to recreate their cherished Miami social and cultural 'scene'... transformed the Managua night: neon-lit bars and exclusive clubs, designer clothing, Nicaragua's first surf shop, one-hour photo processing, expensive cars cruising the scene, and pervasive preening, posturing, and dalliance'. (Whisnant 1995: 448)

Global franchises such as Subway, Pizza Hut, the Hard Rock Café, TGI Friday's or McDonald's all rapidly set up shop in post-revolutionary Managua in order to cater to this new Americanised elite. The latter was particularly symbolic, as a McDonald's restaurant was first opened in the city in 1975, but had had its franchise annulled shortly after the revolution,

and the company's return was seen by many as a sign of the ultimate triumph of capitalist modernisation. Indeed, the first McDonald's to be re-established in Managua in 1998 – four more have opened subsequently – was jointly opened in grand fanfare by Ronald McDonald (sic) and Enrique Bolaños, then vice-president, who rather ludicrously – and racistly – proclaimed that McDonald's was helping Nicaragua to 'take off its loincloth' (Babb 1999: 38). Expensive bars, nightclubs, restaurants, casinos, supermarkets and luxury hotels all similarly proliferated, the latter in particular including both plush international chains such as Inter-Continental, Crowne Plaza or Hilton, as well as quirky boutique hotels such as the Hostal Real del General Pancho Cabuya y su Papalota Marilla in the exclusive Los Robles neighbourhood, 'with its distinguished touch and unique ambiance'.⁷ Four US-style malls have furthermore been built in the city since 1990, the Plaza Inter, the Centro Comercial Metrocentro, the Galerías Santo Domingo and the Multicentro Las Americas, which all include brand-name stores, both international (such as Tommy Hilfiger, Nike, or Nine West) and regional (such as Siman or Copasa), as well as multiplex cinemas and large fast-food courts.

The last of these malls was built in 2006 at a cost US\$25 million by a private real estate development company called Desarrollos Sooner (Confidencial 2006), also one of the biggest players in the booming condominium and gated community construction market that emerged in post-revolutionary Managua from the end of the 1990s onwards. One of their flagship real estate developments, for example, is the Portal San Cayetano gated community, 'located in Managua's most exclusive living area of Las Colinas', and which offers two-storey, 230m² houses providing 'an enchanting union between the elegance of the façade and the comfort of the interiors in a global refined neo-colonial mood' for US\$160,000 each.⁸ Another is the Parque del Club condominiums, 'the first vertical development project in Nicaragua', offering 40 luxury apartments in two five-level towers with 24/7 manned entrance security for an average price of US\$230,000.⁹ Most private real estate developments of this kind clearly cater for the very rich, with house prices generally starting around US\$100,000 and sometimes rising to as much as US\$500,000, but a number of cheaper private real estate developments offering houses retailing between US\$25,000 and US\$75,000 have also recently begun to emerge in and around Managua. Desarrollos Sooner have, for instance, started building the huge Ciudad San Sebastian community development in South-East Managua, which will offer 1,982 two and three room houses at prices ranging from US\$27,000 to US\$32,000, as well as a shopping mall and a health centre.¹⁰

Overall, some sixty different private residential real estate developments, big and small, have sprung up in and around Managua over the past decade. Fifteen of these were built in 2002 alone, comprising 665 housing units (BCN 2003), which according to a recent Inter-American Development Bank report corresponded to just two percent of the demand for housing in Nicaragua in that year (IADB 2002: 1). The 98 percent shortfall clearly could not be catered for commercially considering that 90 percent of the economically active population of Nicaragua earns less than US\$160 a month (Gobierno de Nicaragua 2005: 27), yet despite the fact that 58 percent of urban households in Nicaragua were estimated to be overcrowded in 2002, and some 40 percent 'constructed with scrap or other impermanent materials' (IADB 2002: 1), state-sponsored housing projects have been few and far between since 1990.

⁷ See <http://www.hostalreal.com.ni/presentation.html>.

⁸ See http://www.soonerrealestate.com.ni/index.php?option=com_content&task=view&id=24&Itemid=28.

⁹ See http://www.soonerrealestate.com.ni/index.php?option=com_content&task=view&id=28&Itemid=37.

¹⁰ See http://www.soonerrealestate.com.ni/index.php?option=com_content&task=view&id=20&Itemid=24. The profitability of such a venture is clearly based on economies of scale rather than exclusivity.

Certainly, fewer than 8,000 housing units were built during the Chamorro (1990-1997) and Alemán governments (1997-2002) (COHRE 2004: 72-6), and although a US\$22.5 million Inter-American Development Bank low-income housing programme was approved in September 2002 (IADB 2002: 1), according to media reports this has yet to be implemented, and its future development is uncertain (La Prensa, February 9, 2004).¹¹ This is partly because potential beneficiaries of the programme are required to possess a full legal title to their property, which is frequently not the case in contemporary Nicaragua,¹² but also because the post-revolutionary state has neither the capacity nor the will to implement large-scale public urban development programmes.

This is particularly obvious when the evolution of the city's morphology is viewed from an urban planning perspective, and more specifically in relation to compliance and non-compliance to the land use provisions stipulated in the Managua Master Plan (PRM – *Plan Regulador de Managua*). This document – which was originally drawn up in 1982 – establishes the framework for land use in the city, categorising its territory into different types of zones (residential, commercial, industrial, parkland, mixed, etc.) as well as stipulating rules and restrictions concerning construction, population density and right of way, for example. These are determined on the basis of criteria relating to environmental risk factors, as well as notions of rational city organisation, including in particular with regards to its transport network. The 1982 Master Plan constituted the organising basis for a General Urban Development Scheme (EDUM – *Esquema de Desarrollo Urbano de Managua, 1987-2020*), which was drawn up in 1987 with technical assistance from the Cuban Central Planning Board's Institute of Physical Planning, although no actions were actually taken to implement it due to lack of funds. Very little further planning was done until 1998, when the Managua Master Plan was modified by a series of Partial Urban Organisation Plans (PPOU – *Planes Parciales de Ordenamiento Urbano*), which re-classified land in certain zones of the city. In theory the idea was to update obsolete categorisations contained in the 1982 Master Plan in order to prepare for the elaboration of a new General Municipal Development Plan (PGDM – *Plan General de Desarrollo Municipal*), but as Gerald Penske, the Municipal Director of Urban Development, admitted frankly in an interview in July 2007, in practice the Partial Plans 'simply legalised what had happened on the ground', and as such, reflected 'the limited urban control exercised by the municipality over the city's territory'.

Penske illustrated the municipality's incapacity to regulate Managua's urban development by referring to the recent evolution of the affluent neighbourhood of Los Robles. The 1982 Master Plan had originally designated this area as exclusively residential, but in the late 1990s and early 2000s it became very much mixed in terms of land use, as large embassies, expensive art galleries, exclusive bars, clubs, casinos and fine restaurants all opened there, creating an nightlife area popularly known as the 'Zona Rosa'. Although in theory the municipality had the right to challenge and fine any new developments that contravened existing land use regulations, Penske contended that the municipality lacked the resources to monitor these. 'Thirty years ago', he told me, 'the Vice-Ministry for Urban Planning had forty inspectors and forty Volkswagens that went all over the city to make sure that regulations

¹¹ At the same time, however, it should be noted that a US\$2.4 million Inter-American Development Bank collaboration with the Managua municipality has successfully led to the upgrading of some 350 houses in four low-income Managua neighbourhoods (El Pantanal, René Cisneros, Barricada and 18 de Mayo), although further initiatives have not been forthcoming (see Parés Barberena 2006).

¹² Indeed, the Inter-American Development Bank recognises that at least 70 percent of potential beneficiaries are excluded from its programme because they do not have such titles (COHRE 2004: 85). For an excellent overview of the property rights issue in post-revolutionary Nicaragua more generally, see Everingham (2001).

were respected. Now I have just three inspectors, who only have motorbikes to cover a city that's three times the size it was in the 1970s'. As a result, the city had little choice other than to accept new developments as *fait accomplis*, according to Penske. Although this makes a certain amount of (depressing) sense, it was also obvious that infringements to planning rules and regulations were much less tolerated when they occurred in poorer neighbourhoods. On 1 February 2006, for example, a group of 43 families that had occupied vacant land between the Huembes market and the Isaías Gómez neighbourhood was violently expelled by riot police at the behest of the Managua Municipality, on the – rather contradictory – grounds that 'this land was not adequate for the construction of housing because it is near a source of potential contamination, being near an open sewage channel', but also that it was 'classified as part of Managua's parkland' (La Prensa, February 2, 2006).

Penske contended rather disingenuously that this differential treatment was the consequence of the variable economic power of businesses in Los Robles and squatters such as those who attempted to settle on the land next to *barrio* Isaías Gómez. He argued that if the Municipality attempted to impose fines on businesses in Los Robles that did not respect land use regulations, these would be able to absorb them as part of their operating costs and so nothing would happen, but that illegal squatters could be dealt with effectively because they did not have the means to buy their way out of respecting the rules. The influence of market forces on Managua's urban development is by no means surprising, but it only tells part of the story, however. The Municipality did not act systematically against spontaneous squatter settlements, but seemed to respond principally to those that got in the way of particular municipal projects, as for example occurred in April 1999 when a number of households on the edge of the 22 de Enero settlement were evicted due to the Municipality's plans to widen the road to Masaya (*Carretera a Masaya*) running next to the community (El Nuevo Diario, April 11, 1999). The Municipality further simultaneously modified the regulations regarding land use along the road to Masaya, changing the classification from agricultural land to a low density residential zone, and openly called on private developers to take advantage of this recategorisation. Numerous luxurious gated communities and large hacienda-style homes consequently rapidly proliferated in what had previously been a peacefully bucolic zone on the edge of the city.

An even more blatant bias can be observed in the particular evolution of Managua's road network over the past decade. One of the most striking transformations to have occurred in the city is the overhauling of its legendarily abysmal road infrastructure. As late as 1997, potholes were a chronic driving hazard, traffic was chaotic, carjackings frequent and there was no discernable logic to the city's byzantine road infrastructure. By 2000, the municipality had carried out a large-scale programme to fill in the potholes, resurfaced and widened the major arteries of the metropolis, built a suburban bypass road in the South-West of the city and replaced traffic lights with roundabouts. These works were ostensibly to speed up traffic and reduce congestion, but when considered on a map, however, a definite pattern emerges whereby the new roads predominantly connect locations associated with the lives of the urban elite, for example linking the (newly re-modelled) international airport to the Presidential palace to the Plaza Inter mall to the Metrocentro mall to the Zona Rosa to Las Colinas to the road to Masaya. This particular pattern of infrastructural development is arguably the keystone to a broader process of socio-spatial 'disembedding' that has occurred in the city, whereby a whole layer of Managua's urban fabric has been purposefully 'ripped out' from the general patchwork quilt of the metropolis. The living and working spaces of the wealthy – protected by high walls and private security – have been joined together into a 'fortified network' by means of the new roads, which the elite can cruise at breakneck speeds in their

expensive 4x4 cars, no longer impeded by potholes, crime or traffic lights (see Rodgers 2004b).

When I confronted Mario Barahona, Managua's Director of Planning, with this line of analysis during an interview in July 2007, he replied that:

'the logic of the city's urban development doesn't purposefully benefit the rich.... In particular, the city's road network is determined according to technical criteria relating to the creation of a fast-flowing and fluid transport system. These are objective factors, including for example the fact that the city is traversed North-South by a multitude of water channels that will inevitably affect the way roads can be built.... It is these technical criteria that tell us where new roads need to be built, not the fact that *'high-life'* people are living here or there'.

Barahona was echoed by his colleague Guillermo Icaza, who specified that:

'all we do is implement the pre-existing road plan which was determined in 1982.... There are different types of roads, for example you can have primary roads, which are big, metropolis-cross-cutting roads, and then you have more secondary roads, which might connect different parts of the city to each other, and then you have tertiary roads, which are small and only concern a particular locality.... The problem is that we're still a long way from completing the Plan, and we're still focused principally on primary roads, because that's what it calls for us to finish first'.

While superficially reasonable answers, Barahona and Icaza were however both unable to explain why certain primary roads called for in the 1982 Master Plan had been built and improved while others had not, and moreover why the latter seemed to be particularly concentrated in poorer areas of the city.

Even more damningly, many of the new roads built or improved since 1997 were not actually planned for in the 1982 Master Plan, including for example the suburban bypass in the South-West of the city that connects the exclusive Las Colinas neighbourhood with the road to the South (*Carretera Sur*) in Western Managua, which has become a secondary area of exclusive private real estate developments. Indeed, this highway is in many ways epitomic of the highly iniquitous urban development of the city insofar as it splits at one point from being a four-lane highway into two two-lane roads, enveloping a six-block strip of houses that the municipality was unable to expropriate, and creating an isolated urban island bordered by high-speed roads on all sides that is a potential death-trap for its inhabitants (El Nuevo Diario, August 27, 2007). Perhaps the most notorious example of an unplanned new road, however, is the 18 km stretch of country road going from the road to the South to the rural settlement of El Crucero that was paved in 1999 at a cost of US\$700,000, clearly in order to provide the then President Arnoldo Alemán with easier access to his five haciendas in El Crucero (Bodán 1999). A similarly parochial logic can be surmised regarding the provision in the 2007 municipal budget for two roadwork projects that will extend the Cardenal Miguel Obando y Bravo highway and the road to Masaya out of the exclusive Las Colinas neighbourhood by respectively 0.5 and 1.24 km at a combined cost of US\$3.3 million, that is to say equivalent to

almost two thirds of the US\$5.3 million that the municipality plans to spend on maintaining the rest of the city's 1,157 km road network (Alcaldía de Managua 2006).

The anthropologist Florence Babb has characterised the post-revolutionary urban development of Managua as representing 'the making of a neoliberal city', linking this process to the broader political-economic transformation of post-revolutionary Nicaragua (Babb 1999: 27). She highlights how the successive Conservative and Liberal governments of Chamorro, Alemán and Bolaños actively encouraged the desires of market forces suppressed during the *Sandinista* period to remodel the post-revolutionary metropolis according to the consumption needs of the wealthy. Arnaldo Alemán, in particular, explicitly sought to 'beautify' the metropolis in order to make it more attractive to private investors, with initiatives such as building a huge fountain in front of the Metrocentro mall that when lit up seemed to spout waters of different colours during his tenure as Mayor of the city (1990-1996), as well as an opulent new presidential palace at the cost of US\$7 million dollars, with a US\$120,000 giant illuminated fountain that, 'with the aid of a sophisticated computerized system... will send surges of water to varying heights in coordination with musical melodies' once he became President of Nicaragua in 1997 (Nitlapán-Envío team 1999a). The Chamorro, Alemán and Bolaños governments also all blatantly facilitated private real estate development initiatives through the granting of highly suspect tax breaks. In 1999-2000, for example, the Pellas group, Nicaragua's most important economic conglomerate, spent US\$20 million to build the highest structure to be erected in Managua since the 1972 earthquake, a fourteen-storey, ultra-modern, futuristic glass and metal office tower known as the '*Edificio Pellas*', for which they obtained a US\$3 million tax exemption on the grounds that it was 'a tourist attraction' (Chamorro 2002). The US\$23 million private Vivian Pellas Metropolitan Hospital inaugurated in 2004 also received a similar tax rebate (Arróliga 2002; Mayorga 2007: 87-8).

When considered in light of such schemes, it is clearly very tempting to lay the blame for the iniquitous urban development of Managua over the past two decades on an unholy alliance between market capitalism and the successive right-wing post-revolutionary governments, incarnating an elite-led backlash against the *Sandinista* revolution's (frustrated) attempts to foster more egalitarian forms of social organisation in Nicaragua. Nothing arguably epitomises this evil partnership more blatantly than the country's extremely regressive tax regime, which causes the country's Gini index to rise from 0.51 before taxation to 0.69 afterwards (Fuentes 2006: 15). One contributing factor to this somewhat surreal state of affairs is that – like many other developing countries – the Nicaraguan state collects over 80 percent of its tax revenue through indirect taxes such as value added tax (VAT), but also important is the fact that during the past decade it has on average only collected the equivalent of 2.1 percent of its GDP in direct taxes per year (Gómez Sabaini 2005: 241). Most of this comes from big businesses, which clearly pay up in order to be able to simultaneously claim wide-ranging tax exemptions that have been estimated to amount to the equivalent of over 10 percent of the country's GDP (US\$530 million in 2006) (Núñez 2006: 224). A notorious example is the Law 306 on incentives for the tourist industry (*Ley de Incentivos para la Industria Turística*) passed in June 1999, which offers a large palette of tax benefits to tourism-related businesses that invest a minimum of US\$50,000 in their activities, including for instance an 80 to 90 percent exemption on all income tax for up to ten years, as well as a 100 percent exemption on property tax, VAT, and import duties for the same period (Gobierno de Nicaragua 1999).

It is revealing, however, that this law was passed not only with the support of Liberal and Conservative MPs, but also the active cooperation of *Sandinista* MPs, who voted *en masse* to

approve the legislation. Indeed, one of the most pro-active figures in debates in favour of the law was Tomás Borge, the last living founding member of the FSLN who was at the time President of the Parliamentary Tourism Commission, and also – coincidentally – owner of a hotel that would have benefited from the law (see Babb 2004: 551). Borge furthermore actively participated in elaborating a complementary law that was approved by the Nicaraguan parliament in December 2004 – although it has yet to be formally ratified – and which would allow companies involved in the tourist industry to keep any VAT that they collect on the goods and services they provide until they have recouped up to 70 percent of their investment costs, something that not only constitutes an extraordinarily generous subsidy but also effectively amounts to an unprecedented privatisation of taxation (Olivares 2006; *El Nuevo Diario*, August 8, 2006). As Julio Francisco Báez Cortés, director of the Nicaraguan Institute for Fiscal Studies (INIET – *Instituto Nicaragüense de Investigaciones y Estudios Tributarios*), rightly points out, the approval of this unique piece of legislation, known as the Law on Tourist Investment Bonds (*Ley de Bonos de Inversión Turista*), give us ‘some insight into the huge interests at stake, which seem to involve all the power groups’ (Báez Cortés 2006), and starkly highlights how associating so-called ‘neoliberal’ Nicaragua solely with Liberal and Conservative politicians and entrepreneurs is overly simplistic.

Certainly, many of the iniquitous urban developments in Managua over the past decade and a half have occurred not only under Arnoldo Alemán’s mayorship (1990-1995) and that of his hand-picked successor, Roberto Cedeño (1996-2000), but also under the mayorships of the *Sandinistas* Herty Lewites (2000-2004) and Dionisio Marenco (2005-). Indeed, arguably the most blatantly neoliberal of all the recent urban development initiatives, the plan to build a rapid busway system in Northern Managua in order to ferry workers from poor neighbourhoods to the city’s Free Trade Zones (FTZs) more efficiently, was wholly conceived and promoted under *Sandinista* mayoral stewardship (albeit with technical assistance from the Inter-American Development Bank, the United Nations Development Programme and the Global Environment Facility). This project is modelled on a transport system pioneered in the Brazilian city of Curitiba in the 1970s, and calls for the creation of 22km of bi-directional busway through the middle of the busy Northern road (*Carretera Norte*) that runs East-West along Lake Managua, at an estimated cost of over US\$55 million (to come principally from a projected US\$33 million Inter-American Development Bank loan and private sources). Once completed, 66 buses will carry up to 200,000 passengers a day from the populous working class Ciudad Sandino satellite city to the west of Managua to the labour-hungry Free Trade Zones (FTZs) to the east, via several poor lakeside neighbourhoods with populations likely to constitute ideal secondary labour reservoirs (Banco Interamericano de Desarrollo 2005; UNDP 2006).¹³

Admittedly, constructing such a busway to feed labour to the Nicaraguan FTZs makes a certain amount of sense considering that these are the single fastest growing employer in the country. The first state-owned FTZ opened in Managua in 1992, and since then a further 34 privately-owned ones have since been established all over the country, although mainly in and around Managua. The number of companies operating in the FTZs has similarly grown exponentially, from 5 in 1992 to 99 in 2006, while the number of workers employed has also expanded from 1,000 in 1992 to 80,000 in 2006.¹⁴ Export production through the FTZs has similarly multiplied from US\$3 million in 1992 to US\$900 million in 2006, that is to say

¹³ See also http://www.managua.gob.ni/index.php?option=com_content&task=view&id=91&Itemid=158.

¹⁴ See http://www.cnzf.gob.ni/index.php?option=com_content&task=view&id=72&Itemid=139&lang=es. A further 240,000 are employed indirectly, meaning that over 15 percent of the Nicaragua labour force is in FTZ-related employment (BCN 2007: 9).

equivalent to 46 percent of total Nicaraguan exports, and a staggering 87 percent of manufactured exports (BCN 2007: 25). By far the largest activity is apparel assembly, with the companies involved mainly South Korean (25 percent), US (24 percent) and Taiwanese (21 percent), although a significant proportion are Nicaraguan (13 percent).¹⁵ More significantly, however, some two-thirds of the infrastructure of the private FTZs belongs to Nicaraguan entrepreneurs, who rent space within their compounds to foreign companies, while also receiving large tax exemptions.¹⁶ The owners of these compounds unsurprisingly include big Nicaraguan economic conglomerates, such as the Pellas Group that owns the 10,000m² San Gabriel FTZ,¹⁷ although others belong to more unexpected entities, such as the Nicaraguan Army, which owns the 4,000 m² Portezuelo FTZ and the 28,000m² Masatepe FTZ (Bodán 2004).¹⁸ Even more remarkably, it is widely rumoured that several major *Sandinista* politicians, including among others Dionisio Marenco and Daniel Ortega, are owners of FTZ infrastructure,¹⁹ which would plausibly explain the FSLN's preoccupation with promoting the busway.

In order to understand this apparent paradox, it is necessary to go back to the roots of the 1979 *Sandinista* revolution. The conventional story regarding its origins is that it was a mass popular uprising led by the vanguard FSLN that overthrew a corrupt and venal dictatorship after forty-five years of oppressive rule. The truth of the matter is that for the first thirty-eight years of the dictatorship, there was very little effective opposition to the Somoza regime. Although the FSLN was founded in 1961, it was unable to mobilise widespread support and had little impact as a guerrilla force, to the extent that it in fact ceased all armed actions in the wake of the disastrous 1967 Pancasán offensive during which thirteen senior members of the organisation were killed. Part of the reason for this ineffectiveness was that the Somoza dictatorship was largely based on a tacit pact between Somoza and the traditional Nicaragua oligarchy, composed of Liberals and Conservatives. Each group was associated with particular economic interests which as a general rule did not overlap, for example Conservatives with cattle, Liberals with cotton and coffee, or the Somoza family with sugar. When they did, for example in construction or light industry, the different groups involved – sometimes two, sometimes all three – tended to cooperate rather than compete with each other, sharing markets and ensuring that all profited, albeit not necessarily always equally (see Mayorga 2007: 37-9). The three groups co-operated happily during the growth years of the 1950s and 1960s, but the world-wide crisis of the early 1970s caused serious strains, as did Somoza's use of the state in order to secure the lion's share of lucrative reconstruction contracts in post-earthquake Managua for his companies. Conservative sections of the traditional elite with interests in the construction industry accused the regime of 'disloyal competition' (Núñez 2006: 130), and opposition intensified more generally once it became

¹⁵ See http://www.cnzf.gob.ni/index.php?option=com_content&task=view&id=105&Itemid=137&lang=es.

¹⁶ See http://www.laguiazf.org/zfafiladas/DB_ZFAfiladas_14.xls.

¹⁷ See <http://www.zfsangabriel.com.ni/>.

¹⁸ It is interesting to note that the Nicaraguan army is also a major player in Managua's real estate market. It reportedly holds some US\$50 million of shares in a range of private real estate development companies, including Inversiones Guardabarranco, Desarrollos Monte Verde and Desarrollos 123, among others, but is also the sole owner of a private real estate development company called Inmuebles Nicaragüenses, which is involved in a range of luxury developments, including the US\$9 million Altos de Nejapa gated community and the seven-storey Le Papillon condominium tower on the road to Masaya that will offer 140m² apartments from US\$70,000 each. The Army furthermore also either owns or holds shares in a range of construction companies that carry out a significant amount of the construction work in Managua's booming private real estate development market (El Nuevo Diario, November 10, 2007).

¹⁹ Interview with Francisco Mayorga, Managua, July 2007.

clear that Somoza was simply pocketing the money and had no intention of re-building the destroyed city centre.

In 1974, Pedro Joaquín Chamorro Cardenal, scion of one of Nicaragua's leading Conservative families and editor of Nicaragua's leading newspaper *La Prensa*, founded the Democratic Electoral Union (UDEL – *Unión Democrática Electoral*), in order to provide a focus to the burgeoning elite opposition to the Somoza regime. The UDEL was not very successful in mobilising either Liberals or Conservatives, partly because of the enduring traditional suspicion between the two groups, and also the widespread perception among the elite that unless the project had the benediction of the US, nothing was likely to happen. It did however provide the impetus for numerous young members of Conservative families to join the ranks of the FSLN during the early 1970s, and opened up channels of communication between the *Sandinistas* and the Conservative elements of the traditional oligarchy which became very important as the former began to gather strength and plan renewed armed struggle. As Orlando Núñez put it:

‘it is difficult to imagine the revolutionary insurrection without taking into account the participation of the Conservative capitalist class, both economically and politically: the money they provided, the use of their remote haciendas for training, the safe houses in the cities, their children joining the ranks of *Sandinismo*, [and] the public legitimisation that they provided to the struggle against Somoza.’ (Núñez 2006: 132, my translation)

Perhaps the best exemplification of this alliance that emerged between the Conservative elite and the FSLN is the so-called ‘Group of Twelve’, which brought together prominent industrialists, businessmen, priests and academics who publicly backed the FSLN's struggle against Somoza in 1977, and some of whom later became members of the revolutionary government during the 1980s, including Sergio Ramírez Mercado, who was Vice-President of Nicaragua between 1984 and 1990, and Miguel D'Escoto Brockmann, who was *Sandinista* Minister of Foreign Affairs. Numerous other figures emanating from the Conservative elite also participated in the revolutionary regime. For example, Luis Carrión Cruz, one of the nine *comandantes* of the FSLN's National Directorate and Vice-Minister of the Interior during the 1980s, is the son of Luis Carrión Montoya, a descendent of one of the oldest families in Nicaragua and one of the most prominent bankers in Nicaragua during the 1960s and 1970s. Similarly, Ernesto Cardenal Martínez, who was Minister of Culture under the *Sandinistas*, and his brother Francisco, who was Minister of Education, come from one of the country's most prominent Conservative families, as do Reinaldo Antonio Téfel Vélez, who was director of the Nicaraguan Institute of Social Security during the 1980s, and the Coronel Kautz brothers, Ricardo and Manuel, who joined the top echelons of the Ministry of Agrarian Development during the revolutionary period (Vilas 1992: 325-8).

It is perhaps not surprising that few farms, ranches or businesses belonging to the major Conservative families in Nicaragua were affected by the *Sandinista* regime's agrarian reforms and nationalisations during the 1980s, which mainly focused on property and assets that had either been in the hands of Somoza and his cronies, or else prominent Liberal families, many of whom had fled Nicaragua following the triumph of the revolution (Everingham 2001: 72). At the same time, however, although the mixed nature of the revolutionary economy meant that Conservative businesses were able to continue operating in Nicaragua, they rapidly began to find their margin of operation constrained by the *Sandinista* government's attempt to

regulate certain economic activities, competition from newly formed state enterprises, the new regime's demands that labour rights be respected, and, from the mid 1980s onwards, the growing militarisation of the economy and hyperinflation. Conservative businesses consequently increasingly began to develop their activities beyond Nicaragua, including in particular in other Central American countries (Mayorga 2007: 42-50). This was particularly the case of the powerful Pellas group, for example, which among other things extended its previous Banco de América-centred financial activities to the Caribbean and the US during this period, setting up a bank in the Cayman Islands and buying another in the US which became the foundation for their now extremely powerful Banco de América Central (BAC) International financial conglomerate, which is the fifth largest financial group in the region with US\$3.1 billion in assets, and also the most profitable according to Standard and Poor's 2005 Central America ratings.²⁰

This transnationalisation of their economic activities increasingly put the Conservative elite at odds with the *Sandinista* regime's autarchic economic policies, and by the end of the 1980s most of the major Conservative families and economic groups were actively supporting the opposition to the revolutionary government. Many helped finance the National Union of Opposition (UNO – *Unión Nacional Opositora*), an eclectic coalition of Liberals, Conservatives and a hodgepodge of extreme left- and right-wing mini-parties that unexpectedly defeated the FSLN in the 1990 elections and brought the revolutionary experiment to a close. The *Sandinista* party had not expected to lose the elections and faced a critical dilemma. As Sergio Ramírez described in his brutally frank memoir of the revolution:

‘the fact is that *Sandinismo* could not go into opposition without material resources to draw upon, as this would have signified its annihilation. The FSLN needed assets, rents, and these could only be taken from the State, quickly, before the end of the three month transition period [before formally handing power over the UNO]. As a result there was a hurried and chaotic transfer of buildings, businesses, farms, and stocks to third persons who were to keep them in custody until they could be transferred to the party. In the end, however, the FSLN received almost nothing, and many individual fortunes were constituted through this process instead’. (Ramírez 1999: 55, my translation)

Certainly, much has been written about the fact that Daniel Ortega drives a Mercedes Benz or that his brother Humberto lives in a huge mansion on the road to Masaya that has its own private baseball field, for example (El Mundo, March 4, 1999).

This rather unedifying episode in the FSLN's history is widely known in Nicaragua as the '*piñata*',²¹ and is critical to understanding the underlying political economy of post-revolutionary Nicaragua. Much more significant than any example of individual personal enrichment, however, is the fact that the *piñata* effectively created the nucleus of a *Sandinista* economic group. Media reports have identified more than 50 businesses associated with the FSLN, including financial service providers such as Fininsa, Interfin, Almacena, or (the now bankrupt) Interbank, the Victoria de Julio and Agroinsa sugar refineries, INPASA printers,

²⁰ See <https://www.bac.net/regional/pdf/BACInternationalbankIncEng0106.pdf>.

²¹ A *piñata* is a decorated *papier-mâché* figure, generally filled with sweets, which is often featured at parties in Latin America. It is struck with a stick by blindfolded persons until it breaks open and its contents spill out, at which point a scramble ensues as people attempt to grab as many treats as possible.

media outlets such as the Canal 4 and Canal 10 television stations, the ‘Ya!’ and ‘Sandino’ radio stations, or (the now defunct) *Barricada* newspaper, as well as Agri-Corp, the biggest distributor of rice and flour in Nicaragua with a US\$100 million turnover, among others (La Prensa, February 11, 2003; El Nuevo Diario, August 21, 1999; Everingham 2001: 79; Dye 2004: 51; Mayorga 2007: 92-4). There is no doubt as to the economic importance of these enterprises, but their political importance should not be underestimated either. During the 1990s there emerged an organised ‘Sandinista entrepreneurs bloc’ (*‘bloque de empresarios sandinistas’*), led by the former FSLN *commandante* and member of the National Directorate Bayardo Arce Castaño, who is a major stake-holder in Agri-Corp – which happens to be run by his brother-in-law, Amílcar Ibarra Rojas – and is also associated with the private real estate development company Inversiones Compostela, which is run by his wife, Amelia Ibarra de Arce, and has over US\$4 million worth of investments in Managua, including headquarters in Los Robles on expropriated land obtained via the *piñata* (La Prensa, May 16, 2005). Other members of this group include the Coronel Kautz brothers, Dionisio Marengo, Herty Lewites, Samuel Santos López (the FSLN spokesperson on foreign affairs) and Francisco López Centeno (the FSLN treasurer) (La Prensa, February 13, 2005). The group has been the financial lifeline of the FSLN, particularly during election time. In 2000, for example, it raised almost US\$2 million to finance Herty Lewites’ campaign to be elected mayor of Managua on the FSLN ticket.²²

Many of the enterprises of this new *Sandinista* bourgeoisie had their origins in Liberal assets expropriated in the 1980s, and not surprisingly the return of many of the former proprietors after regime change in 1990 led to numerous legal – and in some cases violent – conflicts over their ownership. Although some Liberal families in exile successfully started businesses anew whilst abroad, including for example the Morales Carazo family whose Jaremar group is now a major player in the Central America agro-industry (Mayorga 2007: 50), or the Coen family, members of which founded the Airpak Group after leaving Nicaragua in the early 1980s, and which is now a billion-dollar company that has exclusive representation of Western Union financial services in the Central American region, an obviously booming business in light of the ever-increasing remittances being sent back by the almost 3 million Central Americans estimated to live outside their country of origin (see Mayorga 2007: 48),²³ many others returned intent on reclaiming the expropriated sources of their past wealth and status, and joined forces with dispossessed Liberal families that had remained in the country to claim what they perceived as their birthright. The ensuing conflicts and the propensity of President Violeta Barrio de Chamorro’s government to try to maintain a dialogue with the FSLN in the interests of political stability – but also because most of its major figures were Conservatives who felt little personal animosity towards the *Sandinistas*, partly because they were often connected to major FSLN politicians by kinship (Vilas 1992: 334-5), and were furthermore principally concerned with ensuring the smooth operation of their business interests rather than expending energy challenging the *status quo* – ensured the election of the stridently anti-*Sandinista* Arnoldo Alemán as President of Nicaragua in 1996.

Alemán’s accession to power initially led to an intensification of conflicts over expropriated property as he sought to push the claims of the Liberal groups that had brought him to power, but the FSLN retained enough mobilisatory power to block any significant attempts at overturning what they considered to be a reasonable post-revolutionary economic settlement through demonstrations and the threat of mass rioting. The need to regain expropriated properties became steadily less urgent during the course of the Alemán presidency, however,

²² See <http://www.grupoese.com.ni/2001/bn/03/28/pt2MN0328.htm>.

²³ See also <http://www.uwint.org/gppweb/meeting/coen.html>.

as it became hugely associated with sleaze and corruption (Nitlapán-Envío team 1999b). The most visible face of this dishonesty was undoubtedly the ‘mega-salaries’ that the administration paid its functionaries, with a particularly notorious example being the US\$23,500 monthly salary enjoyed by Luis Durán, the economic advisor to the Presidency in charge of designing the country’s Poverty Reduction Strategy (Rocha 2002). More significant in political economy terms, though, were controversial privatisation processes whereby numerous state enterprises were sold off to friends and relatives of Liberal government officials at rock bottom prices, which contributed very effectively to replacing their expropriated patrimony, as did the siphoning off a significant proportion of much of the more than US\$1 billion of international aid that was channelled to Nicaragua following its battering by Hurricane Mitch in 1998 (Nitlapán-Envío team 1999c; Rocha et al. 1999). Arnoldo Alemán is, for example, estimated to have personally embezzled up to US\$100 million during his five years as president (Transparency International 2004: 13).²⁴

The widespread corruption meant that many expropriated Liberals were able to reconstitute their patrimony and no longer needed to press *Sandinista* entrepreneurs quite so hard for the return of their expropriated properties (although certain claims continue to be pushed, as old grudges die hard). This changed state of affairs allowed for a *rapprochement* between Alemán’s Constitutionalist Liberal Party (PLC – *Partido Liberal Constitucionalista*) and the FSLN led by Daniel Ortega, which became a ‘pact of co-governance’ in 1999, whereby the two parties formally divided up the Nicaraguan state apparatus between them and agreed to support each other’s appointments. The pact also reformed electoral law, most notably reducing the threshold for a first-round victory in the presidential elections from 45 percent to 35 percent, albeit on the condition that the victor have a 5 percent lead over the second placed candidate, and also granting all former Presidents a seat in the National Assembly for life. These two measures clearly aimed to facilitate an Ortega victory in the forthcoming 2001 elections and to obtain parliamentary immunity for Alemán after he left office. However, Nicaragua’s increasingly poor business ratings as a result of Alemán’s corruption, as well as emergent tensions between the economic priorities of a nascent Liberal-*Sandinista* national bourgeoisie and the Conservative-Liberal transnational elite, meant that the latter began to increasingly flex their political muscle. In 1996 they had imposed at the last minute a Conservative vice-presidential candidate, Enrique Bolaños, on Alemán’s presidential ticket, and they now sought to impose him as his successor candidate for the 2001 elections.

Believing Bolaños to be a controllable yes-man, Alemán acquiesced, but once he was duly elected with the financial backing of all five richest economic conglomerates in the country, as well as the staunch support of the US and international financial institutions, Bolaños proved to be unexpectedly independent-minded. He turned on Alemán and sought to have him indicted for corruption, an opportunity that the FSLN were quick to seize in order to obtain greater leverage on Alemán within the context of their shaky pact with him. The FSLN helped strip Alemán of his parliamentary immunity and he was condemned to 20 years in jail for fraud and embezzlement in December 2003. The FSLN, however, quickly reverted back to their pact with the PLC – which Alemán continued to control, first from prison, and subsequently whilst under house arrest for health reasons – as the Bolaños government

²⁴ It is clear, though, that most of those partaking in the corruption of the Alemán government, as well as the *Sandinista piñata*, secured assets on a much smaller scale. Francisco Mayorga claims that there are just 350 individual accounts in the Nicaraguan banking system with deposits amounting to more than US\$1 million, and suggests that only twelve families groups own assets over US\$100 million: the Pellas Chamorro, Chamorro Chamorro, Lacayo Lacayo, Baltodano Cabrera, Ortiz Gurdíán, Zamora Llanes, Coen Montealegre, Lacayo Gil, Fernández Holmann, Morales Carazo, González Holmann, and Montealegre Lacayo (Mayorga 2007: iii & 125).

increasingly pushed policies favouring the banking and financial service sectors that constitute the foundation of the Nicaraguan transnational economic groups' wealth (Mayorga 2007: 69-72), at the expense of agriculture and local manufacturing production from which *Sandinista* and Liberal economic groups principally drew their wealth. This was especially obvious in relation to his administration's prioritisation of internal debt servicing, and more specifically using funds supposedly earmarked to reduce poverty to maintain payments for the high-interest Negotiable Investment Certificates (CENIs – *Certificado Negociable de Inversión*) issued by the Nicaraguan Central Bank in highly dubious circumstances to cover losses caused by three major bankruptcies in 2000 and 2001. Despite the fact that both the bank losses and the CENIs have been repeatedly decried – including by the Comptroller General's Office – as having been massively inflated, the Bolaños government actively impeded any substantial renegotiation of this internal debt and religiously ensured that payments were made, such that by October 2005 US\$285 million had been disbursed to certificate holders and a future US\$326 million earmarked, when the bankrupt banks' total portfolios are estimated not to have exceeded US\$100 million. The beneficiaries of the CENIs, however, have been the board members of the fraudulently collapsed banks, the three transnational national banks that bought more of the certificates and a select group of public officials (Envío team 2006).

The November 2006 elections were a hotly contested four-way contest between Daniel Ortega, the dissident *Sandinista* Herty Lewites (replaced by Edmundo Jarquín when he died suddenly of a heart attack in July 2006), the PLC candidate José Rizo (anointed by Arnoldo Alemán), and Eduardo Montealegre, Bolaños' Minister of the Economy who ran representing the Conservative Party-Nicaraguan Liberal Alliance (ALN-PC – *Alianza Liberal Nicaragüense-Partido Conservador*). Despite heavy-handed efforts by Nicaraguan big business and the US ambassador Paul Trivelli, Liberals and Conservatives refused to unite under a single banner, and thus split the anti-*Sandinista* vote which allowed Daniel Ortega to win the Presidency with 38 percent of the vote against Montealegre's 29 percent and Rizo's 26.5 percent. The FSLN became the biggest party in parliament, with 38 out of 92 seats, followed by 25 for the PLC, and 23 for the ALN-PC, as well as five for the dissident *Sandinistas*. When viewed in the light of the evolving political economy of post-revolutionary Nicaragua, the November 2006 election results clearly represent the victory of a national bourgeoisie coalition over a transnational capitalist class. Ortega's new cabinet reads like a veritable who's who of *Sandinista* businessmen, including many prominent members of the 'Sandinista entrepreneurs bloc', for example,²⁵ as well as several important Liberal ones too.²⁶ Furthermore, one of the new President's first actions on assuming office was to change Arnoldo Alemán's detention regime from 'house arrest' to 'country arrest', thereby allowing him a return to public life. In April 2007, FSLN and PLC members of parliament furthermore

²⁵ Bayardo Arce Castaño is Daniel Ortega's economic advisor with cabinet rank, for example, while his business partner Samuel Santos López, is the new Minister of Foreign Affairs. The Vice-Minister is Manuel Coronel Kautz, while Francisco López Centeno is the director of the Nicaraguan Oil Company, PETRONIC, an especially sensitive post due to Venezuelan oil donations. Especially significant when considered in relation to Managua's urban development, the new Minister of Transport and Infrastructure is Fernando Martínez Espinoza, owner of one of Nicaragua's biggest construction company, while his Vice-Minister is Fernando Valle Dávila, head of the Nicaraguan Chamber of Construction (CNC – *Cámara Nicaragüense de la Construcción*). Most surreal of all, perhaps, the new director of the Nicaraguan Tourism Institute (INTUR – *Instituto Nicaragüense de Turismo*), with cabinet rank, is Mario Salinas Pasos, president of the private real estate development company Desarrollos Sooner (Guevara Jerez 2007).

²⁶ For example, Ortega's vice-president is the Liberal Jaime Carazo Morales, founder of the Banco Nicaragüense (BANIC), co-founder with Alemán of the PLC, and special advisor with cabinet rank during the latter's presidency, as well as owner of the Jaremar agro-industrial group.

voted together in order to pass a law reducing the maximum penalty for money laundering to five years. This applies retroactively, meaning that Alemán's prison sentence has been shortened by 15 years, and he will therefore theoretically be eligible for release in December 2008, and able to stand for office again in the 2011 elections.

From this perspective, the obvious question to ask is whether the new *Sandinista*-Liberal national bourgeoisie can be progressive in the pro-nationalist, anti-imperialist Leninist sense of the term, that is to say, whether it can become the lynchpin for a process of productive capital accumulation and national development that is sorely lacking in a post-revolutionary Nicaragua that has been 'mal-developed' along lines that clearly favour transnational rather than national interests, as the country's huge trade deficit dramatically illustrates (Robinson 1998). The early signs in this respect are not particularly encouraging, however. During its first year in power, the Ortega administration has mixed strident anti-capitalist, anti-imperialist rhetoric and *rapprochement* with Hugo Chavez's Venezuela with trouble-free negotiations with the IMF, big business, and improved relations with the US (see Nitlapán-Envío team 2007a & 2007b). Far from seeking to reform the country's political economy, what Edelberto Torres-Rivas has very appropriately labelled 'right-wing *Sandinismo*' (Torres-Rivas 2007)²⁷ seems instead to be seeking to stabilize an economic settlement whereby its national businesses and those of its Liberal partners can derive (a low-level of) profit from exclusive monopolies over certain protected sectors of the domestic market, while ignoring the broader global economic context geared towards more transnational pursuits which are being exploited by the Conservative sections of the elite and international corporations. The net result is the perpetuation of a rather stagnant, low-growth national economy that offers little in the way of developmental hope for the country as a whole. Indeed, this 'hole-in-the-sand' attitude is more associable with hacienda-style feudalism of the country's past than any form of Leninist progressive capitalism, and to this extent, far from being either an exciting return to the utopian politics of Nicaragua's past or even the accession to power of a progressive national bourgeoisie, the return of *Sandinismo* can ultimately be said to constitute little more than a wry illustration of Karl Marx's famous aphorism that 'great historic facts and personages recur twice... once as tragedy, and again as farce' (Marx 1852: 3).

I have sought in this paper to illustrate how the contemporary urban development of Managua constitutes both a reflection and a driver of Nicaragua's evolving political economy, both at the micro and the macro level. I began with a description of the view from below, showing how the evolution of the wider urban political regime led to contingent local-level socio-economic processes, including widespread social mobilisation and solidarity under *Sandinismo* during the 1980s, as well as the proliferation of drug trafficking in the late 1990s and early 2000s, in response to high unemployment and the limited opportunities and resources offered by the structurally constrained wider post-revolutionary economy. The rise of the latter however promoted a deeply iniquitous form of urban segregation 'from below' that led to new forms of local level inequality and exclusion, and the rise of a local 'narcobourgeoisie'. Parallels can be made with Managua's wider urban development over the past two decades, insofar as the emergence of a 'disembedded city' for the rich, the proliferation of FTZs, and the increasing exclusion of the impoverished masses are all clearly reflections of the (re-)establishment of oligarchic elite rule within Nicaraguan society in the wake of the demise of the *Sandinista* revolution of the 1980s, and its experimentation with more egalitarian forms of urban organization. These various developments have at the same time driven the specific shape that the post-revolutionary political-economic settlement has taken,

²⁷ In view of its partnership with the PLC, this oxymoronic expression might more accurately be 'liberal *Sandinismo*'.

providing in particular the means and the context through which the *Sandinistas* have established themselves as an economic interest group that is integrally part of the contemporary elite hegemony. This has occurred through the development of local national interests that are also fundamentally urban, in the form of building FTZ infrastructure, real estate development, and dominating the construction industry, all of which are activities that do not encroach (too much) on traditional Liberal interests (now principally agricultural), and do not challenge the traditional Conservative elite's more transnationally-oriented interests.

As such, perhaps paradoxically, considering that it is without doubt the focal point for most of the infrastructural development currently occurring in the country (along with Granada and San Juan del Sur, both of which however effectively constitute satellite extensions of the metropolis), Managua can be said to constitute something of a developmental 'black hole' in relation to the possibilities for Nicaragua's more general progress. Not only does it clearly drain resources from the rest of the country, but it also contributes directly to perpetrating an 'anti-developmental' regime in Nicaragua, as the stagnant and low-growth national economy and elite politics both starkly reflect. In this respect, it is perhaps symbolic that despite all the new developments in the city over the past two decades, Managua's ruined centre has still not been rebuilt, and there are no official plans to do so, thereby leaving the metropolis a gutted urban settlement that in many ways constitutes a rather appropriate and graphic metaphor of the country's general developmental predicament.

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