A SYMPTOM CALLED MANAGUA

In a famous essay entitled ‘An Illness Called Managua’, the Nicaraguan poet Pablo Antonio Cuadra contended that the city 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’. Managua’s recent development also provides a perspective on the dramatic transformations that the country has undergone over the past decades: from corrupt dictatorship through popular insurrection and social reconstruction, rapidly choked off by Cold War intervention and economic crisis, to a Miami-style restoration and a new growth model led by narco-trafficking and Free Trade Zones. A study of Managua’s changing morphology and socio-economic trajectory suggests that the city is less an ‘illness’ than a symptom of this pathologized development path.

Sprawling along the southern shores of Lake Xolotlán, the city presents a strange landscape: a humid basin, filled with foliage and vacant lots, with sporadic developments thrown up apparently at random, punctuated by low hills and lagoons formed in the craters of extinct volcanoes. An eruption from one of these 10,000 years ago preserved the footprints of the site’s first settlers in the barrio of Acahualinca—one of the earliest such settlements in the Americas. Prior to the Spanish Conquest in the 16th century, the region was inhabited by a mixture of indigenous groups who had migrated both from Mesoamerica and from lands to the south, but the demographic collapse wrought by colonialism meant that mestizos soon came to dominate in numerical terms. During the colonial era and for decades after Nicaraguan independence—formally declared in 1821, but only fully obtained in 1838, with the dissolution of
the United Provinces of Central America—the country’s principal cities were the colonial centres of León and Granada, respective headquarters of the feuding Liberal and Conservative factions of the oligarchy. Managua was designated Nicaragua’s capital in 1852, as a compromise between the two, but it remained relatively marginal until the middle decades of the 20th century.²

It was under the dictatorship of Anastasio Somoza, head of the US-trained National Guard, that Managua assumed its national prominence. Somoza seized power in 1936, after murdering Augusto César Sandino and crushing the popular movement he had led against the 1912–33 US occupation of the country. Somoza established an authoritarian regime that was to prove Central America’s most durable, and among its most kleptocratic. He and his sons ruled Nicaragua until the 1979 Revolution, operating through the military and political apparatus of the National Guard, manipulating government contracts and siphoning off loans and aid to secure a commanding position in the country’s economic life. They eventually amassed a family fortune estimated at $500 million, as well as 1.2 million acres of landholdings and direct ownership of 200 companies.³ Political stability was assured by a tacit pact between the Somozas and the traditional oligarchy, both Liberals and Conservatives, behind a constitutional façade, enabling all three groups to share the spoils, albeit unequally, during the growth years of the 1950s and 60s.⁴

Nicaragua’s export earnings—gold, coffee, cotton—funded a degree of industrial expansion. The population of Managua rose to over a quarter of a million by 1960.⁵ Its bustling downtown—the playground known as ‘Salsa City’—was packed with bars, dance-halls and cinemas that became a magnet for wealthy tourists from all over North and South

---

² In 1900 León’s population of 30,000 was still larger than Managua’s; Granada had declined, having been burnt to the ground in the 1850s by the US filibuster William Walker who, invited in by León’s Liberals, briefly made himself President of the country.
America. The majority of the population growth, however, occurred in the ever-expanding informal settlements on the city’s periphery, as small tenant farmers were driven from the countryside by the mechanization of agriculture for export. The 60s boom also created a large if precarious urban middle stratum of small-scale entrepreneurs and shopkeepers, skilled service and white-collar workers, teachers, lower-rank administrative officials and so on, that made up nearly a fifth of Nicaragua’s workforce by the early 1970s—layers that were highly exposed to arbitrary predations by the lower ranks of the Somoza clan’s retinue and the National Guard.6

Managua’s population had reached nearly half a million by 1972, when a devastating earthquake killed at least 10,000 people, destroyed 75 per cent of its housing, 90 per cent of its commercial buildings—including most of the centre—and left 300,000 homeless. Although international aid poured in to help rebuild Nicaragua’s shattered capital, little reconstruction actually took place. Anastasio Somoza—younger son of the original dictator, who had been assassinated in 1956—appointed

---

himself head of the reconstruction committee and awarded his own companies over 80 per cent of the building contracts; but only a fraction of these were ever completed as Somoza pocketed the money himself. Downtown Managua was virtually abandoned and most rebuilding took place on land in the south and south-east of the city, owned by Somoza and his cronies.\textsuperscript{7} As a result, ‘the central core took on a post-apocalyptic look’, while:

\begin{quote}
Much of the development [that did take place] can be characterized as leap-frog in nature, as the Somoza gang leaped over lands it did not own in favour of developing parcels it did. 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. The rebuilding produced a sprawling city that made travel for the vast majority of the city’s residents increasingly difficult.\textsuperscript{8}
\end{quote}

The criminal corruption displayed by the Somoza regime—and brutally enforced by the National Guard—in the aftermath of the earthquake played a major role in intensifying resistance to it. The elite compact came apart as Conservatives with interests in the construction industry lost out on their share of rebuilding contracts to the Somoza clan. Spiralling inflation, rising taxes and falling real wages brought the exposed small sectors of the economy to near collapse. Elite opposition, rallied in the \textsc{udel}, looked to the Carter Administration in Washington for support in ousting a dictator who had become such a patent liability.\textsuperscript{9} But the Democratic Congress continued to vote military funding for the National Guard, and—even as the latter were subjecting the civilian population to aerial bombardment and artillery fire—Carter sent a personal letter to Somoza congratulating him on the human rights situation in his country.

The only force in Nicaragua capable of countering the aggressions of the National Guard was the ex-Guevarist Frente Sandinista de Liberación Nacional (\textsc{fsln}), founded in 1961. By the mid-70s the Frente had abandoned their failed \textit{foco} strategy and were attempting instead to


\textsuperscript{9} The \textsc{Unión Democrática de Liberación (udel)} was founded in 1974 by Pedro Joaquín Chamorro Cardenal, scion of a prominent Conservative family and editor of Nicaragua’s leading newspaper \textit{La Prensa}, in order to provide a focus for the burgeoning elite opposition to Somoza.
build mass urban bases, while continuing guerrilla actions against the
National Guard. Their minimum programme was the nationalization of
Somocista property—some 60 per cent of the economy—and the dis-
solution of the National Guard. From October 1977 the FSLN stepped up
their attacks—temporary occupations of towns, holding political meet-
ings, recruiting fighters, seizing weaponry—while seeking alliances
with the Church and with the UDEL Conservatives. Meanwhile a ‘Group
of Twelve’ bankers, industrialists, priests and university teachers from
the Conservative elite declared that the FSLN had to be part of any solu-
tion; many of the sons and daughters of old Conservative families went
to join the guerrilla. In late 1978 an FSLN-led insurrection was beaten
back by the National Guard. A general strike was launched in June 1979.
The FSLN took more territory, in fierce fighting. By July 1979 they had
encircled Managua. Somoza fled to Miami on 17 July, and the FSLN took
the capital two days later.

Sandinista city

Downtown Managua was still in ruins after the earthquake, and much of
the city suffered terribly during the revolutionary uprising. Members of
the new Sandinista government, installed in one of the remaining office
blocks, looked out across the uncleared rubble. The city’s population
had almost doubled since 1972, swollen by war and economic crisis;
unemployment was estimated at 60 per cent and urban infrastructure
had virtually collapsed. Capital flight in 1978 was estimated at $233 mil-
lion and GDP shrank by 26 per cent in 1979 alone. The FSLN-led junta
nevertheless drew up ambitious plans to reconstruct and transform the
city: creating a park in the old centre, planting trees, painting murals.
Strategies were set in place to upgrade informal squatter settlements
and rebuild infrastructure. With Cuban help, an overall building regula-
tion plan was drawn up for the city in 1982 which laid out the framework
for land use, establishing different zonal categories—residential, com-
mercial, industrial, parkland, mixed—and stipulating restrictions
concerning construction, population density and right of way. Low-cost
housing for the poor was a major priority: by 1983 over 8,000 serviced

12 The 1982 Plan Regulador de Managua prepared the way for a longer-term Urban
Development Scheme (Esquema de Desarrollo Urbano de Managua, 1987–2020),
drawn up in 1987 with technical assistance from the Cuban Central Planning
Board, but never implemented due to lack of funds.
lots had been constructed in preparation for large-scale self-help house-building programmes. It was on the basis of such initiatives that the Sandinistas won 66 per cent of the vote in the 1984 elections, despite the dire state of the economy and a developing civil war.

Only a few of the house-building programmes were ever completed, however. Former National Guard fighters had regrouped as Contrarevolucionarios, operating from bases in Honduras and heavily armed by the Reagan Administration. Fuelled by Washington's dollars, the Contras' ranks swelled from 500 in 1981 to 15,000 in 1986. The Sandinistas' ambitious development plans for Managua ground to a halt, as the state's meagre resources were re-channelled towards the pressing needs of food production and national defence, with an estimated 60 per cent of the budget going to the military by the middle of the decade. Contra terror and capital flight brought about a further contraction of the economy: direct damage from the Contra war was estimated at $1 billion and its indirect economic costs at $3 billion; the US economic embargo was illegally enforced by the mining of Nicaragua's harbours. The situation worsened still further after 1985, with the onset of world recession and rising interest rates; the national debt spiralled and hyperinflation took hold. In 1988 the FSLN themselves introduced draconian austerity measures: 50,000 public employees lost their jobs and wages fell to the level of the 1950s.

The impact on Managua was intensified by a massive influx of people displaced from the countryside by the war, in which some 30,000 Nicaraguans were killed. During the 1970s the annual rate of rural migration to the city averaged 28 per thousand; by the mid-1980s it was estimated at 46 per thousand—equivalent to almost 30,000 new inhabitants per year, most of them struggling to get by in the interstices of an impoverished informal economy. There was an explosion of new squatter settlements, mainly on the city outskirts but some among the still uncleared downtown ruins—increasingly perceived as a symbol of the FSLN's failed attempts at urban reconstruction. Military conscription and war fatigue further undermined support for the FSLN, who were finally defeated by the Unión Nacional Opositora (UNO)—an eclectic

---

13 See for example Ministerio de la Vivienda y Asentamientos Humanos (MINVAVH), Programa Integral de 2,800 Viviendas para Managua, Managua 1980.

coalition of Liberals, Conservatives, and extreme left- and right-wing mini-parties—in the 1990 elections. The same year saw the installation of the Liberal Arnoldo Alemán as Managua’s new mayor.

**Elite backlash**

The UNO government under Violeta Chamorro (1990–97) pushed through an immediate programme of privatizations. Of the 370 state enterprises that existed under the FSLN, 289 were privatized by 1993, and all but eight by 1998. The process had already begun, however, in the immediate aftermath of the 1990 election defeat. As the FSLN Vice President Sergio Ramírez described it in his memoirs:

> 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. 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 Frente itself received almost nothing; but ‘many individual fortunes were constituted through this process instead’. The episode is known as the piñata, after the decorated papier-mâché figure, generally filled with sweets, which blindfolded party guests strike with a stick until it breaks open—at which point a scramble ensues. The 1990 piñata effectively created the nucleus of an ex-Sandinista entrepreneurial grouping, with eminently capitalist interests. These new elite factions have played a key role in Managua’s latest phase of development.

---

17 Since much of the property ‘re-expropriated’ in the piñata had belonged to the Somoza clan or related Liberal cronies before their nationalization in 1980, this set in place a major clash of interests between returning Liberal émigrés and ex-Sandinistas, over which Chamorro attempted to adjudicate. Against the Liberals’ greater leverage in the legislature, the Sandinistas retained the power to mobilize their base and could threaten mass riots and demonstrations. The conflict was finally resolved in the ‘co-governance pact’ of 1999 between the FSLN and Alemán’s Liberals, in the context of an uptick in foreign investment flows—to maquiladora operations and tourist projects in particular—which raised spirits on both sides. Businesses associated with former FSLN leaders include financial service providers...
Regime change saw the return of many wealthy Nicaraguans who had left Managua for the US in 1979. The ‘Miami boys’ and their frenetic conspicuous consumption ‘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’. Global franchises such as McDonald’s, Subway, Pizza Hut, the Hard Rock Café and TGI Friday arrived to cater to the new émigré arrivals. The defeat of the Sandinistas also brought an influx of Contras and their families to Managua, creating conditions for new social conflicts and spatial polarization. This was most evident in the emergence of new settlements with explicit political associations: ‘barrio 3-80’ in south-central Managua, for example, named after the nom de guerre of Enrique Bermúdez, former Lieutenant Colonel in Somoza’s National Guard and commander of the Contras’ Northern Front; or the ‘Omar Torrijos’ settlement in the east of the city. By the early 1990s Managua was widely nicknamed la ciudad caótica, ‘the chaotic city’. Crime rates soared and youth gangs began to make their presence felt in the streets.

Meanwhile Mayor Alemán—known as El Gordo (‘Fatso’) —undertook a systematic assault on the symbols of Sandinismo: the revolutionary murals were whitewashed or destroyed, the monument to FSLN martyr Carlos Fonseca blown up, countless streets renamed. Development aimed to ‘beautify’ the metropolis in order to make it more attractive to private investors: a huge illuminated fountain in front of the Metrocentro mall that spouted multi-coloured water; showpiece public works such as the construction of a new cathedral in the city centre or the restoration

(Fininsa, Interfin, Almacena); the Victoria de Julio and Agroinsa sugar refineries; the INPASA printers; media outlets (Canal 4 and Canal 10 television stations, Yal and Sandino radio stations); and Agri-Corp, the biggest distributor of rice and flour in Nicaragua. The main players include former FSLN comandante and member of the National Directorate, Bayardo Arce Castaño, a major stakeholder in Agri-Corp and closely associated with real-estate company Inversiones Compostela, whose headquarters in Los Robles are on land obtained via the piñata; the Coronel Kautz brothers; Dionisio Marenco, current Mayor of Managua; the late Herty Lewites, Mayor from 2000–04; Samuel Santos López, FSLN Foreign Minister; and Francisco López Centeno, FSLN treasurer. See La Prensa, 13 February 2005 and 16 May 2005.


Police estimates suggest that the number of gang members in Managua increased five-fold during the 1990s: Policía Nacional de Nicaragua, Boletín de la Actividad Delictiva 32, 2001.
of the lakeside Malecón. Alemán’s rough-and-ready style, combined with financial backing from his Miami-Cuban connections and an emergent clientelist network, provided the base for his progress to the presidency in 1996. Once elected, he built an opulent new presidential palace at a cost of $7 million, with an even larger illuminated fountain designed to ‘send surges of water to varying heights in coordination with musical melodies’.20

The Alemán government’s approach to urban infrastructure was epitomized in its break-up and privatization of the national electricity company, enel, starting from 1998. The sole bidder for its distribution network was the Spanish multinational Unión Fenosa, which immediately imposed price hikes on users ranging from 100 to 400 per cent, while contributing a minimum of investment to a grid that suffers daily power blackouts.21 Although the population of Managua has grown exponentially, state-sponsored housing projects have been minimal since 1990: fewer than 8,000 housing units were built during the decade of Chamorro and Alemán governments.22 Housing regulations developed under the FSLN were used for land clearances to favour developers: squatter families were evicted on this basis from the 22 de Enero settlement along the road to Masaya in 1999, before the Municipality of Managua re-categorized the land and invited tenders for it. In a country where 90 per cent of the economically active population earn less than $160 a month, luxurious gated communities and large hacienda-style homes for the new elite have proliferated in what was once Managua’s

20 ‘Musical fountain for the President’, Envío in English, 218 (1999). In office, Alemán rapidly became a byword for sleaze and corruption. State enterprises were sold to cronies at rock bottom prices, and a significant proportion of the $1 billion of international aid following Hurricane Mitch in 1998 was siphoned off. Alemán is estimated to have embezzled up to $100 million during his five years as President. In 2003 he was sentenced to 20 years’ imprisonment for fraud and embezzlement; but in April 2007, FSLN and Liberal MPs proposed a law reducing the maximum penalty for money laundering to five years; if passed, it would enable Alemán to be granted parole as early as mid-2008.

21 In early 2007 the Nicaraguan government attempted to fine Unión Fenosa $2.4 million and threatened to re-nationalize electricity distribution, but backtracked when it discovered it would be liable to pay the company $53 million in compensation.

bucolic peripheral zone. The Portal San Cayetano gated community in Las Colinas provides homes that offer ‘a refined global neo-colonial mood’ for $160,000 a throw.

Restoration economy

The same asymmetry has skewed the overhaul of Managua’s legendarily bad road system. As late as 1997, potholes were a chronic driving hazard, carjackings frequent, traffic was chaotic, and there was no discernable logic to the city’s byzantine road network. By 2000, the municipality had carried out a large-scale programme to resurface and widen the major arteries, and replaced traffic lights with roundabouts. These works were ostensibly intended to speed up traffic and reduce congestion. When considered on a map, however, a definite pattern emerges: the new roads predominantly connect locations associated with the lives of the urban elite, linking the newly re-modelled international airport to the Presidential palace, the ‘Zona Rosa’ of art galleries, embassies and fine restaurants to Las Colinas. Perhaps the most notorious is the 18 km stretch connecting the Southern Highway to the rural settlement of El Crucero, paved in 1999 at a cost of $700,000, in order to provide Alemán with easier access to his five haciendas. The living and working spaces of the wealthy—protected by high walls and private security—have been joined into a ‘fortified network’ by 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. A whole layer of Managua’s urban fabric has been deliberately ‘ripped out’ from the patchwork of the metropolis.

Predictably, there have also been massive tax exemptions for big real-estate developers, generally on the grounds that the monstrosities that they erect are ‘tourist attractions’: a $2.5 million tax break for the Pellas Group’s 14-storey glass-and-metal office block, ‘Edificio Pellas’, for example. The interests at stake here are not simply those of Conservative and Liberal capital, however. The ‘Incentives for the Tourist Industry’ law that underwrote the tax exemptions was passed in June 1999 with the full support of Sandinista deputies who, under the leadership of Daniel Ortega, had entered into a ‘co-governance pact’ with Alemán shortly before. A leading figure in the debate was the founder member of the
FSLN, Tomás Borge, by this stage President of the Parliamentary Tourism Commission and owner of a hotel that stood to benefit. Arguably, what is emerging here is a Nicaraguan neo-oligarchy, split not by the old Conservative/Liberal rift but along a fault-line dividing a smaller national-bourgeois grouping (Liberal/Sandinista) from larger transnational capital (Liberal/Conservative). The former is composed of Liberals who did not leave the country during the 1980s, and whose economic interests are national in scope, including for example Alemán and his associates who benefited from the privatizations his government undertook, as well as Sandinistas who made fortunes through the piñata. The transnational capital bloc comprises Liberals who left Nicaragua during the revolution and successfully started businesses abroad, such as the Coen family, who founded the Airpak group in the US, a billion-dollar company that exclusively represents Western Union’s financial services arm in Central America, as well as traditional Conservatives such as the powerful Pellas family.23

The major change in the city’s productive economy in the 1990s was the introduction of Free Trade Zones. The first state-owned FTZ opened in Managua in 1992, and since then a further 24 privately owned ones have been established, mainly in and around the capital. The number of companies operating in them has grown from 5 in 1992 to 99 in 2006, while the number of workers employed has expanded from 1,000 in 1992 to 80,000 in 2006. A further 240,000 are employed indirectly, meaning that over 15 per cent of the Nicaraguan labour force is in employment related to FTZs. Export production through the FTZs

23 The Pellas family owns the Banco de América Central financial conglomerate, the fifth largest financial group in the region with $3.1 billion in assets. They had backed the anti-Somoza alliance in 1979 but withdrew their support—and their capital—once the Sandinistas showed that they were serious about dissolving the National Guard and nationalizing Somocista property. Overall, though, this neo-oligarchy is very small. Francisco Mayorga, a former Nicaraguan Central Bank governor imprisoned under Alemán, claims that there are just 350 individual accounts in the Nicaraguan banking system with deposits amounting to more than $1 million, and that only twelve family groups own assets over $100 million: the Pellas Chamorro, Chamorro Chamorro, Lacayo Lacayo, Baltodano Cabrera, Ortiz Gurdían, Zamora Llanes, Coen Montealegre, Lacayo Gil, Fernández Holmann, Morales Carazo, González Holmann and Montealegre Lacayo. See Mayorga, Megacapitales de Nicaragua, pp. iii, 125.
has multiplied from $3 million in 1992 to $900 million in 2006, equivalent to 46 per cent of total Nicaraguan exports, and 87 per cent of manufactured exports. By far the largest activity is apparel assembly, with the companies involved mainly South Korean (24 per cent), US (23 per cent) and Taiwanese (17 per cent). Only 13 per cent are Nicaraguan. More significantly, however, some two-thirds of the private FTZs’ infrastructure belongs to Nicaraguan entrepreneurs, who rent space within their compounds to foreign companies, while also receiving large tax exemptions. Underpinning this is the planned busway system in northern Managua, which when completed will ferry up to 200,000 workers a day from the populous working-class Ciudad Sandino in the west of the city to the labour-hungry FTZs in the east, via several poor lakeside neighbourhoods whose populations are likely to provide secondary labour reservoirs.

**In the barrio**

The underlying dynamics of Managua’s transformation can be traced in microcosm through the story of one poor neighbourhood in the southeast of the city. It was originally settled as an illegal squatter community in the early 1960s by migrants from the countryside, one of many such informal settlements that mushroomed at the time, although it rapidly became notorious in Managua for its extreme poverty. A long-time resident, Don Sergio, recalled:

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

---

24 They include not only major Nicaraguan conglomerates such as the Pellas Group but the Nicaraguan Army, which is also a major player in Managua’s private real-estate development market, reportedly holding some $50m worth of shares in development companies. It is rumoured that several major Sandinista politicians, including Dionisio Marenco and Daniel Ortega, are also FTZ infrastructure owners. For a listing of FTZs, see www.laguiazf.org; on the Army, see Oliver Bodán, ‘IPS maneja $50 millones’, *Confidencial*, 12–18 December 2004 and José Adán Silva, Luis Galeano and Mauricio Miranda, ‘Ejército urbanizador’, *El Nuevo Diario*, 10 November 2007.
eat, and there was lots of malnutrition, and many children and sometimes even adults died of disease and hunger.\footnote{Interviewed by the author in 1996. Names have been changed.}

During the 1970s the barrio became a hotbed of resistance to the Somoza dictatorship. Several FSLN guerrilla cells were established in the neighbourhood, and it came under heavy attack from Somocista National Guard tanks and planes during the 1979 uprising. According to Don Sergio, there were few houses left standing. The barrio was singled out for improvement under the Sandinista redevelopment plan, and President Ortega came to announce the project:

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.

But Sandinista urban developments called for sustained follow-up and maintenance, both by local communities and the state. After initial enthusiasm and high participation levels, the former crumbled in the face of the growing economic crisis, while the government was increasingly preoccupied by the Contra war. The barrio’s newly built infrastructure—concrete drainage ditches, resurfaced roads, electricity provision—rapidly decayed. The situation deteriorated further under the Chamorro government, and by the mid-1990s, inhabitants frequently complained that things had ‘come back full circle’ to the poverty of the Somoza days. As Don Sergio put it:

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.
Crime and violence had become major preoccupations. People were manifestly afraid of leaving their homes and restricted themselves to a few fixed routes and destinations. Many of the windows were barred or even bricked up.  

By the early 2000s, although Nicaragua’s macro-economic indicators had not improved much, there were clear signs of upgrading in some of the houses. In what had once been a relatively uniform neighbourhood of one-storey monochrome wooden houses, a significant proportion had been strikingly transformed: they were now bigger, rebuilt in brick and concrete, often painted in bright pastel colours, and in some cases even two stories high. Many were also now barricaded in an almost fort-like manner.

26 During the year I spent living in the barrio from 1996–97, the admonition, cuidado las pandillas! (‘be careful of the gangs’) became a familiar refrain, punctuating all comings and goings, to the extent that it almost had the equivalent verbal value of hasta luego (‘see you later’).
manner, with high walls, iron bars, and barbed wire. Inside, dirt floors, gas burners and second-hand furniture had been replaced by tiled kitchens, designer furnishings, wide-screen cable TV, mega-wattage sound systems, Nintendo game consoles and in one case a computer with broadband connection. In these better-off houses, the people now wore expensive watches, had the latest-model cellphones—in a neighbourhood where in the mid-1990s only a dozen households had land-lines—and bought imported processed foods from a supermarket, rather than ingredients from the local open-air market.

Most of these improvements were linked to specific processes of income generation, including labour migration—not only to the US, but increasingly to Guatemala and Costa Rica—the import of East Asian second-hand cars for use as taxis and, above all, drug trafficking. Cocaine dealing emerged in the neighbourhood around mid-1999, initially on a small scale but rapidly expanding into a three-tiered pyramidal economy. At the
top was the *narco*, who brought the cocaine in from the Caribbean. The *narco* sold his goods wholesale to nine *púsheres* in the neighbourhood, who resold it in smaller quantities or converted it into crack, which they sold from their houses to a regular clientele of users and to nineteen *muleros*, the bottom layer of the pyramid, who in turn sold smaller doses of crack to all comers on the neighbourhood’s streets. The potential rewards of being associated with the drugs trade were substantial: *muleros* made between $350 and $600 a month, for example, while *púsheres* would make over $1,000. In a neighbourhood where half the economically active population was unemployed, a further 25 per cent underemployed, and where those who did work earned a median monthly income of around $105, such sums were very significant. As a *mulero* called Kalia put it: ‘it’s the only thing worthwhile doing here in the *barrio*’.

A local *púsher* compared the drug-fuelled improvements to the Sandinista reconstruction of the neighbourhood in the early 1980s: ‘Now it’s been rebuilt like after the Revolution, except that instead of Sandinismo, it’s the market that’s been helping us.’ Asked about the visible new levels of inequality, he replied: ‘It’s like the lottery that attributed the houses in the rebuilt *barrio*—some people got bigger and better located houses than others, but nobody complained because it was all random.’ Yet drug trafficking has clearly created forms of inequality of a completely different order to those of the Sandinista years. The local power structure benefits those who can assert a relative monopoly over the use of violence: the *narco*, *púsheres* and *muleros* are all members or ex-members of local youth gangs, and have sought to precipitate a generalized state of fear in the *barrio* to ensure that the drug trade can operate unimpeded. A local woman commented on the deterioration of the gang members’ ethos, from the greater sense of social solidarity in the mid-1990s:

> Before, you could trust the gang, but not anymore—they’ve become corrupted due to this drug crack. They threaten people from the neighbourhood now, rob them of whatever they have. They never did that before. They used to protect us, but now they don’t care, they only look out for themselves, for their illegal business. People are scared—we live in terror here. You’ve got to be scared, or you’re sure to be sorry.27

In the streets, gang members were now an intimidating presence, strutting about with guns and machetes menacingly displayed, and warning

---

27 Interview with the author, 2002.
local inhabitants of what would follow if they denounced those involved in the drug trade. Levels of insecurity had risen sharply, as the gangs imposed a brutal and predatory form of order that seems unsustainable. One woman described the situation as ‘living in a state of siege’, a metaphor all the more chilling given that she lived through a real siege under the bombs and tanks of Somoza’s National Guard during the insurrection of 1979.

*Ortega’s return*

While Managua’s *barrios* fracture into ganglands, elite factions continue to jostle for power in the new Nicaragua. Tensions sharpened between the Liberal–Conservatives, backed by Nicaragua’s transnational finance firms, and the Sandinista–Liberal bloc, more closely tied to national agribusiness and *maquila* manufacturing interests, under the government of Enrique Bolaños (2002–07), who tilted strongly towards the former: poverty funds of $285 million were re-channelled to cover dubious bank losses. In the 2006 elections Daniel Ortega, once again *fsln* presidential candidate, won a four-way contest against a divided opposition: despite heavy-handed efforts by Nicaraguan big business and the US ambassador, Alemán’s Liberals and Bolaños’s Conservatives refused to unite under a single banner. Viewed in the light of the evolving political economy of post-revolutionary Nicaragua, the result seems to represent a shift in fortunes towards the national-bourgeois bloc. Ortega’s new cabinet reads like a veritable who’s who of Sandinista businessmen: Bayardo Arce Castaño is the President’s economic advisor; Arce’s business partner Samuel Santos López is the new Minister of Foreign Affairs. Especially significant for Managua’s urban development, the new Minister of Transport and Infrastructure is Fernando Martínez Espinoza, owner of one of Nicaragua’s biggest construction companies; his Vice-Minister is Fernando Valle Dávila, head of the Nicaraguan Chamber of Construction. Furthermore, Ortega’s Vice President is the Liberal Jaime Morals Carazo, founder of the Banco Nicaragüense (BANIC), co-founder with Alemán of the Constitutionalist Liberal Party (PLC), and advisor with the rank of cabinet minister during the latter’s presidency.

In its first year in office, Ortega’s administration has mixed anti-imperialist rhetoric and *rapprochement* with Chávez’s Venezuela with trouble-free negotiations with the IMF, big business and improved
relations with the US. Domestically, the focus seems to be on securing an economic settlement in which local businesses can derive sustainable, low-level profits from exclusive monopolies over certain protected sectors of the domestic market. There are few signs that this new Sandinista government is likely to inaugurate a more equitable phase of national development. A quarter of a century after the great earthquake, Managua now has a population of 1.2 million, over a fifth of the national total, and remains the focal point of all social, economic and political activity in the country. Symptomatically, however, despite its narco-barrios and brash new developments, its ruined city centre has still not been rebuilt.