

19 April 2017

**Addendum/Correction Note for Kai Thaler, “Nicaragua: A Return to Caudillismo,” *Journal of Democracy* 28, 2 (April 2017): 157-169.**

In footnote 22 on p.169, I state that “Since Ortega took office in 2007, the Nicaraguan córdoba has lost about 60 percent of its value against the U.S. dollar.” While true in numerical terms, I failed to note that Nicaragua has since 1993 used a crawling peg system in which the córdoba is steadily devalued relative to the U.S. dollar. Since 2004, this has been at a rate of 5.0% annually, with the Banco Central de Nicaragua slightly adjusting the exchange rate daily, aiming to maintain currency stability and export competitiveness.<sup>1</sup> I am grateful to Paul Susman for pointing out my error.

The broader point that footnote 22 was meant to support is that economic decline may pose a threat to the stability of the Ortega government and its relatively high levels of support and acceptance among the population, since economic growth have been a key pillar of this support.<sup>2</sup> There have been issues with inflation despite the use of the crawling peg and Nicaragua has struggled to reduce its current account deficit with the reduction in Venezuelan support, while export dependence increases vulnerability to external price shocks, which can increase inflation.<sup>3</sup>

Furthermore, the benefits of growth have not accrued evenly, with wealth concentrating in the upper strata of society, as has occurred in recent decades in economies throughout the world. Inequality has been increasing, while real wages have fluctuated, but largely stagnated since Ortega came back into power, as shown in the table from the Banco Central de Nicaragua on the next page, with much of the population still working in the informal sector, increasing their vulnerability. The poor and developing middle class have thus remained in a highly precarious position while the rich, including the Ortega-Murillo family and many FSLN leaders and associates, have gotten steadily richer. It is unclear that the opposition would have the will or ability to implement a better economic plan for Nicaragua’s poor, but their ideas and candidates have not been given a fair opportunity to compete against Ortega and the FSLN’s program.

A further note is that when comparing Ortega’s regime with the Somoza family’s dictatorship, there is similarity in terms of coalitions of support, privatized enrichment, clientelism, and restrictions on political opposition and civil society, yet there is, thankfully, not comparability in repressiveness. The Ortega regime has been plainly restrictive of civil and political freedoms, but there is not the type of state violence and political imprisonment that characterized the Somoza regime and right-wing dictatorships elsewhere in Central America, or the governments of other present-day illiberal leaders like Vladimir Putin, Recep Tayyip Erdogan, and Rodrigo Duterte. There has been police suppression of protests, suspicious break-ins at the houses and offices of opposition figures (sometimes accompanied by violence), and the state has failed to halt violence by settlers against Miskitos in the northeaster Río Coco region, yet the country does not appear to be on the brink of either wider social violence or increasing state repression, and the Ortega government has not given any indications of moving in a more violent direction.

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<sup>1</sup> Banco Central de Nicaragua, “Mercado de cambio” [online], accessed 19 April 2017, available from [http://www.bcn.gob.ni/estadisticas/mercados\\_cambiaros/index.php](http://www.bcn.gob.ni/estadisticas/mercados_cambiaros/index.php); PRONicaragua, “Macroeconomic information” [online], accessed 19 April 2017, available from <http://pronicaragua.gob.ni/en/discover-nicaragua/6-economy/>.

<sup>2</sup> See e.g. Reuters, “Nicaragua’s Good Times Help Ortega Shrug Off ‘Autocrat’ Jibes,” 3 November 2016 [online], accessed 19 April 2017, available from <http://www.reuters.com/article/us-nicaragua-election-idUSKBN12Z0HZ>.

<sup>3</sup> BMI Research, “Economic Analysis - Gaping Current Account Shortfall Will Narrow Modestly In 2016 - June 2016,” *Latin America Monitor*, May 2016 [online], accessed 19 April 2017, available from <http://www.latinamericamonitor.com/economic-analysis-gaping-current-account-shortfall-will-narrow-modestly-2016-june-2016>; Business Wire, “Fitch Affirms Nicaragua at ‘B+’; Outlook Stable,” 24 August 2016 [online], accessed 19 April 2017, available from <http://www.businesswire.com/news/home/20160824005976/en/Fitch-Affirms-Nicaragua-Outlook-Stable>.

**Table. Nominal and Real Salary Averages, 2006-2016**

**Salario nominal y real**

(Córdobas)

Cuadro III-3 B06

Año y mes	Salario nominal promedio			Salario real promedio (córdobas de 2006)			Variación % interanual del salario real		
	Asegurados INSS	Gobierno Central/ <sup>1</sup>	Salario del empleo formal/ <sup>2</sup>	Asegurados INSS	Gobierno Central	Salario del empleo formal	Asegurados INSS	Gobierno Central	Salario del empleo formal
2006	4,204.7	5,103.5	4,823.6	4,204.7	5,101.2	4,823.9			
2007	4,570.1	4,994.5	4,957.2	4,114.6	4,512.7	4,470.9	(2.1)	(11.5)	(7.3)
2008	5,260.5	5,198.0	5,341.9	3,949.7	3,904.4	4,012.9	(4.0)	(13.5)	(10.2)
2009	5,770.9	5,745.6	6,010.3	4,179.7	4,161.5	4,353.1	5.8	6.6	8.5
2010	6,162.3	6,102.4	6,319.7	4,232.2	4,192.2	4,341.6	1.3	0.7	(0.3)
2011	6,670.4	6,546.1	6,614.9	4,238.3	4,159.5	4,204.4	0.1	(0.8)	(3.2)
2012	7,172.4	7,153.4	6,989.1	4,251.2	4,240.3	4,143.3	0.3	1.9	(1.5)
2013	7,704.7	7,881.8	7,462.8	4,262.5	4,360.9	4,128.7	0.3	2.8	(0.4)
2014	8,306.3	8,575.6	8,147.0	4,334.5	4,475.8	4,251.3	1.7	2.6	3.0
<b>2015</b>	<b>8,830.5</b>	<b>9,174.1</b>	<b>8,714.1</b>	<b>4,430.6</b>	<b>4,603.1</b>	<b>4,372.3</b>	<b>2.2</b>	<b>2.8</b>	<b>2.8</b>
Enero	8,638.3	8,632.1	8,362.0	4,403.3	4,400.1	4,262.5	2.9	1.6	2.9
Febrero	8,575.2	9,214.8	8,515.0	4,339.9	4,663.6	4,309.4	0.7	1.0	0.7
Marzo	8,753.0	9,220.3	8,662.0	4,412.9	4,648.5	4,367.1	0.7	0.7	1.9
Abril	8,736.7	9,193.7	8,704.0	4,395.9	4,625.8	4,379.4	0.0	1.5	2.5
Mayo	8,878.1	9,156.8	8,720.0	4,444.2	4,583.7	4,365.1	0.6	1.4	1.7
Junio	8,707.7	9,188.4	8,748.0	4,359.6	4,600.2	4,379.8	2.7	3.0	2.8
Julio	8,908.7	9,201.4	8,767.0	4,469.4	4,616.3	4,398.3	2.8	3.5	3.6
Agosto	8,874.7	9,222.3	8,781.0	4,452.6	4,627.0	4,405.6	3.3	4.0	3.7
Septiembre	8,857.0	9,255.8	8,799.0	4,447.6	4,647.8	4,418.4	3.4	4.2	3.6
Octubre	9,008.7	9,263.3	8,816.0	4,504.4	4,631.7	4,408.1	5.1	4.1	3.4
Noviembre	8,775.3	9,266.4	8,842.0	4,372.1	4,616.8	4,405.3	2.1	5.2	4.4
Diciembre	9,252.2	9,273.7	8,853.0	4,565.1	4,575.7	4,368.2	2.4	4.3	3.0
<b>2016</b>	<b>9,385.5</b>	<b>10,130.7</b>	<b>9,291.7</b>	<b>4,548.7</b>	<b>4,909.8</b>	<b>4,503.4</b>	<b>2.7</b>	<b>6.7</b>	<b>3.0</b>
Enero	9,094.4	9,264.8	8,863.0	4,492.4	4,576.6	4,378.1	2.0	4.0	2.7
Febrero	8,995.8	10,204.6	9,225.0	4,402.9	4,994.5	4,515.1	1.5	7.1	4.8
Marzo	9,354.5	10,193.6	9,232.0	4,549.7	4,957.9	4,490.2	3.1	6.7	2.8
Abril	9,501.0	10,159.3	9,240.0	4,614.5	4,934.2	4,487.7	5.0	6.7	2.5
Mayo	9,306.8	10,179.3	9,267.0	4,494.7	4,916.0	4,475.5	1.1	7.3	2.5
Junio	9,250.7	10,198.3	9,271.0	4,472.1	4,930.2	4,481.9	2.6	7.2	2.3
Julio	9,593.1	10,217.7	9,365.0	4,622.6	4,923.6	4,512.7	3.4	6.7	2.6
Agosto	9,300.7	10,219.5	9,373.0	4,497.7	4,942.0	4,532.7	1.0	6.8	2.9
Septiembre	9,425.5	10,231.1	9,385.0	4,571.9	4,962.7	4,552.3	2.8	6.8	3.0
Octubre	9,510.3	10,228.3	9,410.0	4,599.1	4,946.3	4,550.6	2.1	6.8	3.2
Noviembre	9,340.0	10,232.4	9,429.0	4,504.5	4,934.9	4,547.4	3.0	6.9	3.2
Diciembre	9,953.3	10,239.4	9,440.0	4,762.0	4,898.9	4,516.4	4.3	7.1	3.4
<b>2017</b>	<b>9,534.7</b>	<b>10,609.0</b>		<b>4,517.1</b>	<b>5,025.5</b>				

*Source:* Banco Central de Nicaragua, “Salario nominal y real” [online], accessed 19 April 2017, available from [http://www.bcn.gob.ni/estadisticas/sector\\_real/mercado\\_laboral/3-3B06.htm](http://www.bcn.gob.ni/estadisticas/sector_real/mercado_laboral/3-3B06.htm).