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On the evening of June 14, President Daniel Ortega announced a major economic policy shift, under which the government lifted wage and price controls and imposed limits on credit and imports. In a speech broadcast on nationwide television, Ortega called the economic crisis "deep and serious" and said the economy could survive only by adopting measures "similar to those taken by capitalist countries." Henceforth, said Ortega, employers and workers will agree on wages independently and prices will be regulated by market conditions. The government authorized a 30% across-the-board salary increase. Future increases, said Ortega, are in the hands of employers and employees in enterprises realizing a "surplus." The president said the government would occasionally establish nominal guidelines on prices of some basic products to keep them from increasing too quickly. Next, Managua will also remove numerous subsidies, with the exceptions of those for public transportation and cooking oil, soap, rice and sugar, all of which are in short supply. In an effort to reduce an annual inflation rate estimated at 4,000 to 5,000%, Ortega said the government would restrict credit and regulate interest rates to reduce the money supply and force businesses to reinvest profits. According to the Nicaraguan Central Bank, in the 1986-87 cycle, the government extended 8 billion cordobas in credit but the financial system recuperated only 400 million cordobas. Toward reducing the foreign trade deficit, the president announced a 30% cutback in imports of military equipment and goods for farm and ranch production, and in diplomatic spending abroad. On June 15, the government elaborated on its economic reform plans. Among other measures to improve the trade balance, the government devalued the national currency from 11 cordobas per US dollar to 80 per dollar. Exchange houses reported that the parallel market or "free" rate was 137 cordobas per dollar. Nicaragua has a foreign debt of over $6 billion. Exports are expected to total $250 million this year, while imports, excluding Soviet-bloc weapons, will total $700 million. In 1987, export revenues totaled $292 million; 1985, $298 million; and in 1983, $431 million. Ortega has said the six-year war with the contras has cost the country $3 billion in direct property damage and lost production. For the last five years, more than half the national budget has been devoted to military spending. Some economists have estimated that from 1980 through 1987, inflation cut the average urban worker's purchasing power by almost 90%. During a meeting with labor and Sandinista party leaders in Managua on June 15, Ortega pointed out that Nicaragua's economic base is extremely fragile. Of a total population numbering 3.5 million, one million are economically active. Of this number, 205,000 persons are engaged in sustaining 210,000 "unproductive workers linked to defense, health, education and the rest of the government apparatus." (Basic data from Agencia Nueva Nicaragua, AP, 06/15/88)

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