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Features of Nicaragua's economic crisis are spiralling inflation, widespread un- and underemployment, factory closings for lack of electricity, cancellation of night classes due to lack of light bulbs, absence of hygiene in hospitals, and a growing exodus from the country as Nicaraguans seek their economic livelihood elsewhere. In a report issued Dec. 2, the UN Economic Commission for Latin America estimated $848 million in direct damage caused by Hurricane Joan. This figure is equal to three years worth of export revenues, or 40% of Nicaragua's gross domestic product. Foreign disaster relief entering Nicaragua as of mid-December totaled only $35 million. ECLA noted that all economic effects of the hurricane cannot be calculated, such as its impact on inflation, and the long-term costs resulting from the destruction of a broad swath of the country's rain forest. Conservative estimates in early December put 1988 inflation at 14,000%. Since then, foreign analysts and some Nicaraguan economists have said inflation last year reached 20,000%. Municipal elections, originally scheduled for March 1989, have been postponed until 1990. The postponement, according to the government in Managua was the result of the necessity of concentrating all efforts on economic reconstruction in the wake of the hurricane. Economists pertaining to the Regional Coordinator of Economic and Social Research (CRIES-Managua) recently elaborated estimates of the time Nicaragua needs for economic recovery. Their calculations indicated that based on an annual average GDP growth rate of 3% unlikely under present conditions it would take 10 years to achieve economic conditions prevailing in 1987. A period of 17 years is required at a 3% growth rate to achieve conditions prevailing in 1978. The CRIES team added that their calculations did not take into account Nicaragua's population growth which is about 3% per year at present. In 1988, the government implemented a series of anti- inflation measures, including currency devaluation, cutbacks in public spending, wage and price controls, and periodic price hikes for fuels, transport, and other state-provided or controlled goods and services. Consumer prices rose at an alarming pace throughout the year, but the last two months of 1988 surprised even government planners. In response to the accelerated pace of "hyperinflation," the government decreed massive currency devaluations in November and December. The November devaluation was marked by the issue of 5,000 cordoba notes. On Dec. 7, the government began issuing 10,000 cordoba notes. Nicaraguan workers' purchasing power in 1988 plummeted. Consumer price increases far outstripped wage and salary hikes. For instance, an individual who earned 5,000 cordobas per month in February (considered a middle-level income) saw his/her wage increase to 45,000 cordobas by December, a 900% increase. Meanwhile, the price of a mid-day meal at a restaurant rose by a factor of 60 (6,000%) from 25 cordobas in February to 1,500 cordobas by early December. The Labor Ministry (MITRAB), the Sandinista Workers Central (CST), and the Nicaraguan Entrepreneurial Association (AENIC) have offered several wage policy alternatives in an effort to alleviate the impact of inflation on workers' standard of living. CST has insisted on a minimum wage adequate to purchase half of the subsistence needs for an average six-member family. This formulation is based on the assumption that at least two members of the average family/household are engaged in gainful employment. The CST's assumption is a questionable one, given current high levels of un- and underemployment. The CST also proposed that wages above the minimum for professional and skilled workers be paid according to the government's wage scale system issued in 1985. The Labor Ministry has

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proposed a scheme for calculating and implementing a minimum wage. According to the Ministry, wages for professionals and technicians would not be established by the government, but rather by market forces. Economists have pointed out that the Ministry's proposal may have merit in helping to stem the exodus of skilled workers from Nicaragua. However, this program, they point out, would also exacerbate income and wealth inequality. AENIC proposes the maintenance of the government's 1985 wage scale system, coupled with the execution of a minimum wage adequate to purchase the so-called subsistence wage basket. The Association has acknowledged that many existing enterprises could not afford to pay employees wages as dictated under their alternative. The AENIC argues that such enterprises should be shut down, since they are uneconomic, or unprofitable. However, the Association also demands that the government offer "incentives" read subsidies to ensure the survival of Nicaraguan industry. The government's anti-inflation package introduced in June last year reflected a greater focus on free market forces than ever before. The expected result increased production did not materialize. Some economists assert that any positive impact the June package might have had were negated by the effects of spending more than half the national budget on defense, heavy rains in July and August which reduced Nicaragua's agricultural output, and the hurricane in October. The economic crisis provides fertile ground for attacks by the political opposition. La Prensa runs articles every day blaming the government for the economic deprivation experienced by most Nicaraguans, and the country's overall economic decline. Thus far, the only "solution" offered by opposition spokespersons is removing the FSLN (Sandinista National Liberation Front) from power. An estimated 500,000 Nicaraguans from a population of about 3.5 million have thus far left their country. Since early 1988, most emigres have been motivated by economic need, rather than discontent or disgust with Sandinista rule. At present, emigres derive from practically all occupational levels, in contrast to the preponderance of professional and relatively highly- skilled persons who left the country in previous years. In recent months Nicaraguans have virtually flooded into the US, passing through Texas and bound for Miami and Los Angeles. Economists of various political persuasions agree that political peace is mandatory for economic recovery. Many Nicaraguans are hopeful that the new US administration under George Bush will apply pressure on the contras to finally end the threat of war via a political settlement. Venezuelan President-elect Carlos Andres Perez will be inaugurated on Feb. 2. During his last presidential term in the 1970s, Perez provided the Sandinistas with assistance they needed to take power. He is expected to make special efforts to push hostile factions on the domestic front and elsewhere toward some form of political accord. Many Nicaraguans and foreigners continue to perceive the Sandinistas as nationalists above all else. Despite their faults, in this view, they must be supported in attempts to break out of the US orbit. For instance, in the words of Carl Tham, director of the Swedish International Development Authority, who recently visited Managua, "Small countries should be protected against intervention, aggression and phony wars sponsored by big powers." Sweden is the largest single donor of hard currency to Nicaragua. "The Sandinistas have made so many political and diplomatic mistakes," Tham said. "But it's easy for outsiders to tell them what to do. Small countries have a right to find their own way without having to face the destabilizing forces that are at work here." Economists disagree on prospects for economic recovery even if the war with the contras ends. According to Francisco Mayorga, economics teacher at Incae, a local business school: "We are beyond the point of collapse, into a phase of disintegration. A collapse is when something falls in pieces. You can pick up the pieces and rebuild. Here, a great deal of the damage is permanent. It will be very difficult ever to reactivate Nicaragua." Jesuit priest and economist, the Rev. Xavier Gorostiaga, disagrees: "Peace in Nicaragua is very much within our reach. If that happens, 1989 could be a year of not only political opening, but also economic

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takeoff. Give this country two years of peace, and you'll see the process of reconstruction fully underway. Starting in 1990, Nicaragua could be growing by 7 or 8 percent each year." Both Mayorga and Gorostiaga have worked for the Sandinista government in the past. Gorostiaga currently heads a private research institute. Mayorga argues that the Sandinistas have undermined the economy by attacks on private enterprise, while Gorostiaga places the blame for economic collapse on the US-financed contra war, the US trade embargo, and other US financial pressures, saying "Reagan did not manage to destroy us militarily, but he destroyed us economically." (Basic data from several sources, including New York Times, 12/25/88, 01/17/89; 12/22/89 report by CRIES, Managua)

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