Notes On Nicaragua's Economic Strategy

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In a May 28 interview with Notimex, economist Mario Arana of the Regional Coordination for Economic and Social Research of Central America and the Caribbean (CRIES, Managua), said that resolving Nicaragua's severe economic crisis can be accomplished only through cooperation commitments among workers, enterprise owners, peasants, and the government. Considering 1988 inflation of over 36,000% (the highest in Latin American history) and the December monthly rate of 126.6%, said Arana, "no one doubted the need for a drastic adjustment which implied serious impacts" on the lives of average Nicaraguans. He noted that President Daniel Ortega warned that austerity measures implemented since January would provoke unemployment. According to preliminary estimates by the Labor Ministry, unemployment and underemployment in April affected 35% of the 1.2 million-labor force. Inflation has declined from 91% in January, to 45% in February, 20% in March, and 12.3% in April. Federico Mayorga, an economist known to a major critic of the government, agreed with other opposition economists that the austerity measures have braked the inflationary spiral. Inflation persists, however, and the rate predicted for May is about 15%. According to the Economy Ministry, industrial production and sales were down 50% in February, compared to monthly averages for 1988. The main objective of the austerity policies, according to President Ortega, is to ensure that public spending surpasses revenues by no more than 11.3% this year. According to Arana, the deficit last year was 50%. He pointed out that the cooperation strategy states that urban and rural workers negotiate without demands for higher wages, producers and entrepreneurs do not aspire to profit rates of normal times, and the government reduces its deficit. The continuity of inflation, said Arana, can be attributed in part to agricultural policy consisting of providing cheap credit and writing off farmers' old debts to stimulate production. (Basic data from Notimex, 05/28/89)