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Nicaragua: On Government's Economic Adjustment Policies

by Deborah Tyroler

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In an interview published July 16 in *Barricada*, former planning and budget minister Alejandro Martinez Cuenca said hyperinflation will end only through a process of achieving social consensus. *Barricada* is the official newspaper of the Sandinista National Liberation Front (FSLN). In the first half of 1990, said Martinez, inflation reached 903%, and since President Violeta Barrios de Chamorro took power April 25, the consumer price level has jumped 643%. During his tenure as planning and budget minister under the FSLN government, inflation was reduced from 36,000% in 1988, to 1,200% in 1989. Martinez asserted that central bank president Francisco Mayorga has grounded the government's economic policy almost exclusively on constant devaluations leading up to the introduction of a new currency late this month, the cordoba oro. Somehow monetary reform is expected to significantly reduce inflation and stimulate investment and production, said Martinez, "but this is a very simplistic way of perceiving the problem." After stating that continued high inflation could spell disaster for the government's economic adjustment program, Martinez said the time has come to stop blaming the FSLN for all current economic difficulties, and begin a dialogue process to establish consensus. He added that a more gradual approach to designing and implementing economic reforms would be more effective. Finally, Martinez Cuenca said that while the need for economic adjustments is undeniable, it cannot be accomplished without creating at the same time and the same rate a social welfare net to cushion their impact on Nicaraguan workers. On July 17, in an interview aired by Radio Sandino, former president Daniel Ortega said the FSLN recognizes the need for economic adjustments. However, he added, all sectors of society must be involved to ensure that the costs of such adjustments are distributed in an equitable fashion. "To the present, the government's economic policy has followed a very hard line against workers," said Ortega. Following the conclusion of an 11-day strike by FSLN- led or influenced unions last week, President Violeta Barrios de Chamorro called for a national dialogue among business owners, workers and the government. The objective of the dialogue is to establish a "social pact" permitting the that would permit consensus solutions to the country's economic problems. The agenda is to include discussion of the government's economic policy model and the costs these impose on each social sector, financing of industry, mechanisms for labor grievances, and the privatization of state property. In an interview with *Barricada*, Ortega said the first point to discuss would be the annulment of decree 11-90 to revise confiscations during the FSLN government. As long as this decree exists, he said, it threatens the stability of the country, landholding, industry, commerce, and housing. The principle of conformation of a mixed economy must be fixed, wherein both the social sector and the private sector develop side-by-side. After this problem is resolved, the government's economic policy would become a topic of discussion. Since April 25, the government has implemented over 20 devaluations of the currency, and inflation in the first half of the year reached 903%. (Basic data from Notimex, 07/16/90, 07/17/90)

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