Monetarism pulverizes Colombia

Businessmen there are up in arms about the wreckage of tremendous potential prosperity, report Carlos Cota Meza and Valerie Rush.

Colombia's vast natural wealth, rich land, and skilled labor force has proven an irresistible magnet for foreign investors. During 1980, according to official statistics, foreign investment—focused heavily on mining and infrastructural projects—was up more than 550 percent over 1979! Colombian President Turbay has proudly pointed to his four-year development program, the National Integration Plan (PIN), as an ongoing success story, and his new finance minister, Eduardo Wiesner Durán, claims an inflation rate of below 30 percent as his personal triumph.

Yet all is not well in Colombia. Urban collapse and social decay have begun to overtake Colombia's major cities, such as Medellín, where mafia gang wars and assassinations, bankruptcies, and massive unemployment dominate this once technology-proud industrial center. The drug trade is considered the largest "industry" and mainstay of the Colombian economy (see article below), and the majority of Colombia's political and economic elite has either taken a stand of benign neglect or active support for a policy of "socialization" of drug dollars into the economy's legitimate financial flows.

Agricultural production, according to the Society of Agricultural Producers (SAC), shrank by 2.5 percent during 1980, and, according to Adimagro, the association of agricultural machinery importers, the rural sector—due to lack of mechanization—is no longer able to satisfy even domestic food consumption needs.

The most revealing crisis, however, is to be found in the industrial sector, which has undergone a rapid degeneration due to the combined assault of 40 to 50 percent interest rates and an overt anti-industrialization strategy on the part of government policy planners. Textiles, one of the most technologically advanced industries in the country, has undergone forced shrinkage. Lack of access to credit and a deliberate policy of asset stripping by certain drug-tainted interests in the trade have forced extensive plant shutdowns, layoffs, and a devastating decline in output. According to the president of the Medellín stock exchange (where 75 percent of all industrial investment is in textiles), "The crisis of the Colombian textile industry is so acute that the ratio of indebtedness to capital has risen from 0.38 to 1 in 1968 to 1.99 to 1 today, and in some companies is 4 to 1."

The metallurgical industries, including auto production, have faced a zero-growth situation for over a year, and the stagnation of the construction industry is reflected in the fact that there currently exist fewer square feet of construction-improved land today than in 1963.

The government's statistical agency, DANE, reports industrial production fell by a whopping 50 percent between the last quarters of 1979 and 1980. The economy's overall growth rate for last year, according to nongovernment sources, was a miserable 1.4 percent.

Private sector awakens

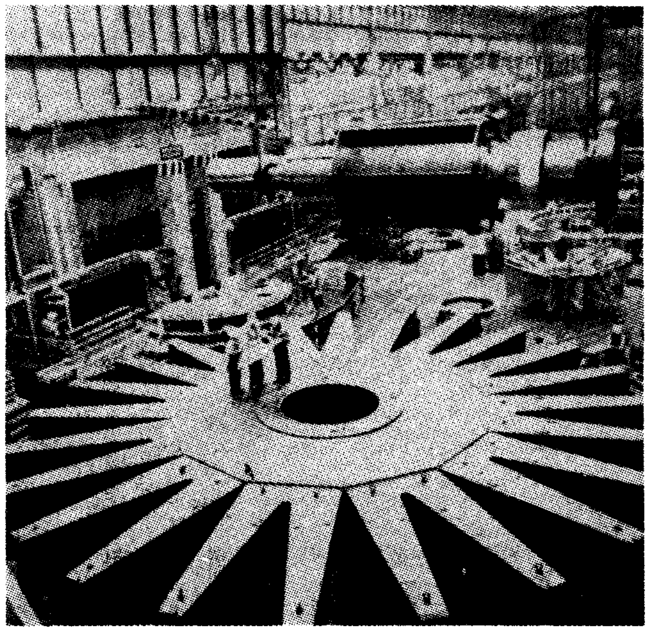
The private sector, traditionally a satisfied partner of the government's monetarist campaigns against inflation, has suddenly awakened to the fact that its own foundations have begun to crumble under Wiesner Durán's Friedmanite assault on the economy. On Feb. 19, five leading producer and business associations called a press conference to issue a critique of government economic policies. Said Carlos del Castillo, president of the Federation of Metallurgical Industries (Fedemetal), "The government may be doing well, but the nation is going badly. It is a no-growth situation."

The businessmen singled out for attack the stratospheric interest rates, the drastic energy rationing that has wracked the country's major industrial/urban centers, and the PIN program itself for its blind emphasis on public works and energy boondoggles to the exclusion of the country's vital industrial and agricultural sectors. The business groups that called the press conference, made up of the chambers of commerce of the construction industry (Camacol), the National Industrialists Association (ANDI), the National Association of Financial Institutes (ANIF), Fedemetal, and the national merchants association (Fenalco), described the economy as a sick man, and warned that the government's cure—"tablets labeled PIN"—was "proving worse than the disease."

The document released by the business groups read in part:

"The economy has lost its dynamic. We are concerned with the slow growth, stagnation, and even regression of the real sectors of the economy. The agricultural sector has structural problems. Industrial production has fallen. . . . The policy of raising interest rates above the cost of inflation . . . has driven up the cost of production which Colombians must pay for, while investments in agriculture and industry have been dismantled to allow refuge in more attractive financial profits. There are a growing number of bankruptcies, especially in medium-sized companies asphyxiated by financial costs. All this is forming a dangerously speculative development model in which idle capital yields more profit than invested capital."

President Turbay's response to the criticisms thus far has been to demand "more solutions and less criticism," and to defend the Friedmanite thesis that the only way to fight inflation is by cutting growth. He accused the businessmen of seeking government subsidization by demanding cheap available credit and reiterated his unshakable commitment to the investment policies of the PIN.


Energy output is now throttled.

Dangerous alternatives

While the panic of the business community is a genuine enough reflection of the depth of economic crisis in Colombia, the alternative policies proposed by some of the groups involved would also "prove worse than the disease."

The ANIF, for example, headed by economist Ernesto Samper Pizano, is the most outspoken institution in Colombia for the legalization of drug production and export as the "solution" to Colombia's development needs. Samper's ANIF has been the think tank of the powerful Grancolombiano financial grouping since its creation in 1973. Grancolombiano has been implicated in Colombia's vast illegal drug trade and is currently facing congressional investigation for asset stripping, bear raids against other financial groups, and outright financial fraud. Although ANIF's Samper parades as a David Stockman-type liberal, the Grancolombiano group has consistently advocated precisely the sort of Chilean-style Friedmanism the ANIF is now so righteously protesting.

ANDI president Fabio Echeverri Correa, like Samper, has also been outspoken in his advocacy of drug legalization and only last year publicly praised the PIN which he is now attacking. Camacol, representing the nation's construction companies, has long been dependent upon a real-estate structure born of financial speculation and dirty-money laundering.

In view of the options these gentlemen represent, their criticisms of the administration's economic policies hardly inspire confidence. As the progovernment newspaper *El Tiempo* was quick to point out in an editorial on the business group's protests, Samper, Echeverri et al. "have gone from promoting the legalization of drugs to [promoting] the total replacement of all the systems and procedures of the economy." However, not all those attacking the government's austerity policies advocate a free drug economy in its place.

Trade union protests

On Feb. 20, 50,000 trade unionists gathered in the streets of Bogotá to protest government austerity policies and to demand a policy of industrialization based on cheap credit and an end to the drug-linked black market which is sucking the real economy dry. The protesters burned an effigy of the hated finance minister and carried banners reading, "No to Marijuana!" and "Lower Interest Rates/Credit to Industry!"

In March, respected industrialist Fernando Sanz Manrique issued a series of calls for a return to nation-building policies of industrialization. Appealing to the ruling Liberal Party to abandon its British-style austerity strategy or face defeat at the polls, Sanz Manrique warned, "It would be dangerous for the Liberal Party to campaign without a government program with content. . . . The Liberal Party must begin to think again of industry as an important component of its political platform. Our situation is far from England under the conservative Thatcher. Basically, industrial structures in Colombia are not to be corrected, but to be created. And the Liberal Party would be taking up a stupendous banner by proposing to the country a new impulse toward industrialization."

With Colombia's 1982 presidential elections in view, the strategy of industrialization versus a Friedmanite "free market" economy based on drugs is expected to be in the forefront.