nurse specialists.

All this adds up to a crisis. The American Association of Colleges of Nursing warns that the lack of nurses is no typical "shortage cycle," like the pervasive shortfall of nurses in the mid-1980s. Undergraduate enrollment in nursing schools dropped by 6.6% in 1997, and 5.5% in 1998, continuing a four-year downward trend. This trend was caused, in part, by the publicized lie that there was an "oversupply" of nurses—along with hospital beds, and that U.S. medical care had to be retooled for a post-industrial style of managed care.

In particular, this lie was promoted by the Pew Health Professions Commission, which in 1995 called for closing 20% of the nation's nursing programs. The commission's proponents said we needed 500,000 fewer nurses.

Exacerbating the overall shortage of RNs and acute care specialists is the lack of advanced level, Ph.D. nursing faculty at nursing colleges. Sixty-four of 159 nursing school deans associated with the American Association of Colleges of Nursing, reported in April this year, that recruitment difficulties hampered their ability to increase school enrollments: "Lower enrollments equals less revenue equals less faculty," they said.

The vicious cycle of pressures from ruthless managed-care policies, and Federal budget cuts, is making it impossible for some hospitals to afford continued support of the traditional volunteer hospital "preceptors"—clinical nurse specialists who act as mentors and train third-year nursing students in hospital settings. Because of staff shortages, nurse mentors often must care for 12 to 14 patients, as well as take responsibility for students' assigned patients, in addition to fulfilling an educational role in giving instruction and supervision.

A 1995 Lewin-VHI study cited the lack of "availability of clinical training sites for appropriate clinical education as one of the *major* problems facing education today for nurse practitioners, clinical nurse specialists, and other nurses with advanced practice skills. The data show that this availability is the single most important factor in determining a school's ability to expand its advanced practice nurse training capacity."

In the world of free-market health care, the training of nursing students is seen as cutting into the nurse-mentor's "productivity." This view is diametrically opposed to Presidential pre-candidate Lyndon LaRouche's notion of development of the workforce as a precondition for the production of a nation's infrastructure—and thus a glaring problem.

"Many agencies feel the need to have every minute of their nurses' time accounted for in terms of revenue-generating activities," states Anita Hufft, dean of Indiana University Southeast School of Nursing. So, some hospitals refuse a working partnership with area nursing colleges—thereby undercutting the nation's ability to prepare for the future, let alone caring for the sick today.

Ecuador banking: IMF demands euthanasia

by Manuel Hidalgo

For the past several months, Ecuador has been faced with a banking crisis linked to major exchange and fiscal problems, collapsing export income, capital flight, and recession, a situation that is fast becoming the norm for all the countries of South America's Andean region. Ecuador and its banking system are the mirror in which Peru and Colombia, among others, can see their own futures not many weeks and months down the line.

The dramatic paralysis of the country that followed President Jamil Mahuad's March 11 announcement of a brutal International Monetary Fund (IMF) austerity "packet," had as its active ingredients the ongoing banking crisis combined with speculative attacks against the Ecuadoran currency, the sucre, which has lost at least 50% of its value since Feb. 12, when the government allowed it to float.

A bank holiday

All of this had been preceded by rumors of a shutdown of one of the country's leading banks, Banco del Progreso, which in turn forced Mahuad to decree a surprise bank holiday for seven days, and to freeze a large percentage of banking deposits ($3 billion, according to the political opposition) for a full year, in order to avoid an immediate collapse of the banking system. According to Marino Canessa, director of the Ecuadoran Association of Private Banks, "some $1 billion has fled, due to the degree of uncertainty in the country in recent months."

But all these measures are like a painful postponement of the last days of a dying invalid who has been suffering for months: Since last August, 10 of the country's 39 banks have been targets of formal intervention, have been shut down, or have had their operations temporarily suspended. So far, the rescue has cost the government at least $1 billion, with Filanbanco receiving the lion's share.

The response of the International Monetary Fund and the international financial community to this crisis has been to demand that the Ecuadoran government allow the bankruptcy of a series of banks, and to then use $2 billion of state funds to "recapitalize" those which remain—that is, to clean up the mountain of bad debt afflicting the nation's banks by absorbing it as government debt, so that the international banks can then move in and buy up those banks at firesale prices, exactly as is occurring in Mexico, Argentina, and elsewhere.

The March attack

Rumors of the insolvency of the Banco del Progreso, and of a probable seizure of deposits, were the context for a speculative attack on the currency on March 3, which led to a banking panic and to the sucre's largest fall in value of the year (26% by the end of the day, after a low of 50% at one point that day). The government responded by declaring a "bank holiday" for March 8-9, which was then extended through March 12, when withdrawals by panicked depositors threatened the entire banking system. Depositors and bankers began to buy dollars at a frantic rate, in anticipation of a still-larger fall in value. When the banks reopened on March 17, following two days of nationwide protests against Mahuad's austerity package which paralyzed the country, deposits remained frozen, confirming the rumors yet again.

On March 22, the Guayaquil-based Banco del Progreso reignited the rumors by announcing that it was closing its doors. Its director, Fernando Aspiazú, accused the Mahuad government of favoring the banks of the capital city of Quito, against those of the coast represented by Guayaquil, and headed up a massive street protest in that city. The March 11 austerity measures had only served to throw gasoline on the fire, increasing nervousness and deepening the recession. The shock treatment paralyzed trade, while the freeze on deposits has, predictably, resulted in the population's refusal to deposit any more money.

The March attack can be traced back to last December, when Ecuadoran authorities created the Deposit Guarantee Agency (AGD) to deal with the avalanche of bank bankruptcies they knew were coming, and to try to prevent the crisis from shutting down the entire banking system. The warning took the form of the bankruptcy of the Banco de Préstamos in August 1998, and the growing problems of Filanbanco, one of the country's leading banks. In fact, the depositors of Filanbanco were the first to line up at the AGD, when the latter was forced to intervene in Filanbanco in December of last year.

Loss of confidence in the banks was spreading, and more bankruptcies and interventions were not long in coming: Tungurahua, Azuay, Finagro, Mutualista Previsión y Seguridad, and Financorp. However, the March 22 closure of Banco del Progreso marked a turning point in the flood of government interventions: The AGD did not take over the bank, as in the previous cases, but gave a deadline to the bank directors to recapitalize, something which was next to impossible. The state had already spent more than $1 billion on the earlier bank rescues. Since there was no more room in the lifeboat for another passenger, they sacrificed it.

On May 21, the Colombian Banking Superintendent intervened in the Colombian branches of two Ecuadoran banks, Banco Andino and Banco del Pacífico. On May 23, in the midst of widespread rumors of an Ecuadoran intervention into the Banco del Pacífico, Ecuador's central bank injected $14 million worth of liquid credit into that bank, through one of the other banks into which it had intervened. According to the news agency DPA, "If Del Pacífico were to fall, three of Ecuador's four top banks would have collapsed in less than six months."

What no one doubts is that the banking crisis is going to sink a number of banks. "The state should come out and say which are the banks that should remain, and thus put an end to all these rumors and the public's insecurity," Banco del Pacífico's Arturo Quiróz said on March 25, just weeks before that bank became the next victim of the rumors.

Banking 'triage'

The IMF has sent a special mission to Ecuador to monitor the banking system and reorganize it as it chooses. The IMF warned the government on the same day that Banco del Progreso closed its doors, that the fund for bank rescues was empty, and threatened to suspend the signing of a new agreement for funds Ecuador needs desperately. "If the bank remains under the direct or indirect control of its owner (or owners), through financial support from the public sector [i.e., the government], a rapid agreement with the Fund . . . should not be expected," the IMF threatened in a letter to the Ecuadoran Finance Minister. "The clients [of Progreso] should be informed that if their deposits are turned into stocks or some kind of capital invested in the bank, their money will be in serious danger," the letter read.

The line expressed in no uncertain terms by the IMF, according to public officials quoted by Reuters news agency, is that "the bank with problems, is the bank that should fold: The International Monetary Fund is pressuring the government to clean up the banks once and for all, and to stop giving them money."

The main action ordered by the International Monetary Fund has been to hire three foreign auditors to carry out a general review of the Ecuadoran banks. "The audit will determine which banks are viable and which are not, and what can be done to help them survive . . . recommending either fusions or that they get out of the market," explained Banking Superintendent Jorge Egas. President Mahuad said on June 1: "The banks that come out of the audit with certificates of good health will be saved." Mahuad had earlier insinuated that some banks would be shut down, to then proceed with the "cleanup" of those which remained.

The investment bank Lehman Brothers put out the following assessment on May 24:

"The cleanup of the Ecuadoran banks will cost $2 billion, as long as the authorities act now." Such a cleanup would include, according to Lehman Brothers, an exchange of half of the banks' loan portfolios for state bonds, and a total recapitalization of the Ecuadoran banking system. "This cleanup is the most critical factor in the current Ecuadoran economic situation, upon which will depend the success of the government's global plan," Lehman Brothers concluded, with more than a hint of blackmail.