

CIPE: Cult of 'free enterprise' meets to promote drug economies

by D.E. Pettingell

Produce drugs, encourage prostitution, fire-eaters, child labor, and street vendors, all in the name of "free enterprise" and "democracy," is the U.S. government message to Third World countries. Such is the conclusion drawn from the first international conference on the "underground economy" sponsored in Washington, D.C. Oct

International Private Enterprise and the U.S. Agency for International Development. Two hundred and fifty business, political, government, and academic leaders from 34 nations attended the two-day symposium.

The Reagan administration designated Peter McPherson, former AID administrator of the State Department's Agency for International Development (AID), now Deputy Secretary of the U.S. Department of the Treasury, to deliver the closing remarks and demonstrate with his presence the government's endorsement of the event. "We at AID, for many years, thought a lot how to help Third World governments to find a way to solve the issue of poverty within their own constraints," he said. "Now we have the answer."

McPherson described his personal experience when he was in Peru with the Peace Corps in the 1960s and helped the poor people in the surroundings of Lima build their own houses out of cardboard boxes and sticks. He said that he was "struck" by the desire of the poor in the Third World to "do something for themselves."

CIPE and the Reagan administration call this degradation which human beings are forced into out of desperation, the "innovation" and "sense of creativity" of the poor. Thanks to International Monetary Fund austerity, in the past five years, the "underground economy"—in which drugs is the main activity—accounts for 30-60% of developing nations' "employment" and gross national product.

It was as if the Black Monday crash a week before in Wall Street did not enter the conference room at the U.S. Chamber of Commerce building hall. Sponsors and participants went on with their own agenda despite the overwhelming fact that in a few months, or perhaps weeks, there might not be a "formal" or "informal" economy at all, because the entire financial system might be wiped out. The only reference to the financial collapse came in a way of a sarcastic comment by CIPE Vice President William Archy, when he told McPherson that CIPE hopes that, now that he is at Treasury, he can "prove to be as good at reducing the public

deficit as he has been at eliminating world hunger as head of AID!" Never before has the world witnessed the level of genocide and starvation that has struck Africa and other Third World countries in the 1980s.

The U.S. Chamber of Commerce describes CIPE as the "business representative in President Reagan's National Endowment for Democracy." CIPE receives \$2.5 million a year from NED, which was set up in 1983 by congressional mandate to "complement" the State Department's "big stick" policy in the developing sector. Since the Iran-Contra scandal, NED has been in the spotlight due to its role in the affair. Currently, NED is known as the "public arm" of the secret government's Project Democracy conspiracy that armed the narco-Contras with money from Iranian terrorists.

The Baker Plan and the informal sector

The star of the CIPE-AID event was NED's baby, Peruvian-Swiss banker Hernando de Soto, author of the *El Otro Sendero (The Other Path)*, a type of "everything you wanted to know about the underground economy but were afraid to ask" text. De Soto is a follower of the libertarian "free trade" concepts of the Mont Pelerin Society and its ideologue Friedrich von Hayek, the mentor of Milton Friedman.

Under CIPE's guidance, de Soto and Peruvian novelist Mario Vargas Llosa founded the Lima-based Institute for Liberty and Democracy (ILD), which received a total of \$600,000 between 1984 and 1986 from CIPE. With this American taxpayers' money, the ILD has plotted against Peruvian President Alan García's anti-drug policies.

At his speech before the U.N. General Assembly in September of this year, President Reagan praised "scholar de Soto's" work on the "underground economy" as the "other path to development and the one true path."

In Ibero-America, "underground economy" means drugs, and drugs are already the main cash crop of many countries and the only foreign income that some countries are using to pay the foreign debt.

By promoting McPherson to Deputy Secretary of the Treasury out of AID, an agency heavily involved in promoting the informal sector in return for financial assistance, the Reagan administration has turned the informal sector into part of the so-called Baker Plan. Brookings Institution Senior Fellow and ILD consultant Robert Litan proposed at the

CIPE-AID conference that “the World Bank should condition new funds on structural adjustments that bring together the informal and formal sectors.” This is what Treasury Secretary James Baker III means when he calls for a “larger” role by the World Bank in adjustment programs in debtor nations.

In his paper “Internal Structural Reform in Peru: A Promising Road Out of the Debt Crisis,” distributed at the conference, Litan attacks Alan García’s real solution of limiting debt payments to 10% of foreign income to allow enough money for development, and proposes instead an expansion of the underground economy. “The so-called ‘Baker Plan’ suggests that an alternative to the austerity programs of the past may exist, whereby debtor countries agree to implement a set of structural reforms that eliminate subsidies, remove barriers to international trade, and privatize public companies, as the requirement for obtaining new external financial resources.” Every one of these measures, if implemented in developing countries, would encourage an unprecedented illegal-drug boom.

De Soto’s Marxism

But not only is the Reagan administration openly pushing drug-based economies in the Third World, but Reagan himself has endorsed the work of a Marxist when he praised de Soto.

“In indoctrinating the poor in Lima, Peru, we use the Marxist methodology, except that we replace ‘poor vs. rich’ with ‘producers vs. the state,’ ” de Soto confessed before the international audience. Although de Soto’s excuse is that he and the ILD were forced into using Marxism because the poor in Lima have been subjected for so long to “communist propaganda” that Marxism is the only language they can identify with, it is not the first time de Soto has shown his affinity with Moscow’s friends. He dedicated his book, *El Otro Sendero*, to Theology of Liberation ideologue, Peruvian priest Gustavo Gutiérrez, and admits that the Theology of Liberation, a Marxist perversion masquerading as Christianity, was a driving force in his intellectual formation.

De Soto’s rejection of industrial and technological progress places him on the side of the enemies of American System industrial capitalism. During his presentation, de Soto attacked 19th-century “mercantilism” as an “elitist system” restricted to a “few families with ties to royalty.” “Free trade and democracy,” according to de Soto, “emerged from poverty and frustration, the large informal sector of the 19th-century Europe.”

The state and presidential executive power are CIPE’s and de Soto’s *bêtes noires*. The recent uproar against the nationalization of the Peruvian banking system was run by ILD. In his prologue to de Soto’s *El Otro Sendero*, titled “The Silent Revolution” (distributed at the conference), ILD’s founder Vargas Llosa calls the state a “hybrid anomaly” and attacks “the businessmen who work within the law.” “Mer-



The “informal economy” in Washington, D.C. The young entrepreneur says that he was unable to find any other job.

Stuart Lewis

cantilism . . . relies on a method of producing laws and regulations that mocks the most elemental democratic practices.”

According to Vargas Llosa, the free enterprise theories of the “Chicago boys,” implemented by the current military dictatorship of Chile and the former one of Argentina, failed because they were imposed from the top down. “Never can a dictatorship be really ‘liberal’ in economic matters, because the basic principle of liberal philosophy is that it is not the politically powerful, but the independent and sovereign citizens, who have the right to take the initiative, to work and to sacrifice in order to decide the type of society in which they are going to live.”

De Soto attacked García as a dictator. “Democracy is not just a electoral exercise. . . . One can elect five-year dictatorships.” Asked whether he thought the control of the financial system by the state—a measure taken by García to put a halt to the massive drug money laundry by private banks—was reversible, de Soto replied, “of course, in 1990,” the year of the next presidential elections in Peru.

De Soto has been in a permanent tour of Ibero-America, Asia and Africa where CIPE and the NED have established institutes similar to Peru’s ILD.

In Ibero-America, CIPE currently has nine affiliated institutes and three in the Caribbean. Two are in Africa and three in Asia. According to their literature, the biggest success stories are in Peru, Argentina, and the Philippines.

In Argentina, CIPE has founded the Institute for Contem-

porary Studies (IDEC), with a grant from CIPE of \$96,000 a year; the Center for Studies on Liberty (CESL), with a grant of \$34,000 a year and the Federation of Argentine Business and Professional Women, which receives \$9,600 a year. The head of IDEC, Marcos Victorica, chaired the first panel with de Soto.

In Mexico, CIPE works closely with the Mexican Employers' Confederation (Coparmex), which receives \$40,000 annually from CIPE; the Center for Economic and Education Studies, \$33,000 a year from CIPE, and the Businessmen's Coordinating Council, which get \$100,000 a year, according to CIPE's 1986 annual report made available at the conference.

Coparmex has been denounced by this publication as the business front for the National Action Party (PAN), the main opposition party of Mexico promoting chaos and the secession of Mexico's northern states. A Coparmex leader in the north of Mexico was caught in the past storing large amounts of drugs.

In Venezuela, CIPE has recently opened shop. The Institute for Liberty and Democracy-Venezuela was set up in 1985. Jesús Eduardo Rodríguez, its vice president, spoke at the event. From Panama, the oligarchical Civic Crusade sent Rafael Zuniga, executive director of the Chamber of Commerce of Panama, the base of operations of the subversive campaign to overthrow Panama's constitutional government.

There were also representatives from Bolivia, Brazil, Chile, Colombia, Dominican Republic, Ecuador, Guatemala, Honduras, Paraguay, and Uruguay. Also delegations from Taiwan, South Africa, Thailand, Tunisia, Egypt, and India, among others.

The U.S. participants included Carl Gershman, president of NED, about 50 mission directors and staff personnel from AID, large groups from the Chamber of Commerce, Department of Commerce, the State Department, and from NED's National Democratic Institute and National Republican Institute for International Affairs.

U. N. Secretary General Javier Pérez de Cuéllar, a Peruvian oligarch like de Soto, sent a letter to CIPE apologizing for not being able to attend and expressing his "admiration" for de Soto's "brilliant" work.

At the conclusion, CIPE's vice president Archy announced that it will issue a quarterly report on the informal sector throughout the world to expose the "system of governments and other obstacles that prevent that energy from realizing" itself.

Whether Reagan knows it or not, by promoting the "underground economy," the Reagan administration is not only advocating the legalization of drugs, condemning millions of Americans to destruction and millions more in the Third World to perennial backwardness, but it is setting up the conditions for Moscow's narco-terrorist troops to overthrow stable governments throughout the developing sector.

'Development, not a right': Reagan

In his speech before the 42nd General Assembly of the United Nations in New York on Sept. 27, President Ronald Reagan sent shockwaves throughout the developing sector when he asserted that "development is not itself a right." Following are excerpts of the speech.

There has been much talk in the halls of this building about the "right to development." But more and more the evidence is clear that development is not itself a right. It is the product of rights—the right to own property; the right to buy and sell freely; the right to contract; the right to be free of excessive taxation and regulation, of burdensome government. There have been studies that determined that countries with low tax rates have greater growth than those with high rates.

We're all familiar with the phenomenon of the "underground economy." The scholar, Hernando de Soto, and his colleagues have examined the situation of one country, Peru, and described an economy of the poor that bypasses crushing taxation and stifling regulation. This "informal economy," as the researchers call it, is the principal supplier of many goods and services and often the only ladder for upward mobility. In the capital city, it accounts for almost all public transportation and most street markets. And the researchers concluded that, thanks to the informal economy, "the poor can work, travel, and have roof over their heads." They might have added that, by becoming underground entrepreneurs themselves or by working for them, the poor have become less poor and the nation itself richer.

. . . The free market is the other path to development and the one true path. And, unlike many other paths, it leads somewhere. It works. So this is where I believe we can find the map to the world's future—in the hearts of ordinary people; in their hopes for themselves and their children. . . . These people are the giants of the Earth, the true builders of the world and shapers of the centuries to come. And if indeed they triumph, as I believe they will, we will at last know a world of peace and freedom, opportunity and hope, and, yes, of democracy—a world in which the spirit of mankind at last conquers the old, familiar enemies of famine, disease, tyranny, and war.