
Dope, Inc.

The IMF and Wall Street are gunning for drug legalization

by Dennis Small

In early June, the Colombian government's National Administrative Department of Statistics (DANE) issued a tedious four-page press release with the bureaucratic title, "The DANE Presented the New Basis for National Accounts." Buried in the fine print, in a section called "Methodological Changes," the DANE listed six areas where new methods will be applied for calculating the Gross National Product. After reviewing such sleeper topics as whether to include value-added and other taxes in GNP calculations, the sixth and final point contained the following bombshell:

"Inclusion of illicit crops in agricultural production."

And, a few paragraphs below, the release announced drily:

"For the measurement of illicit crops . . . the DANE contracted out studies to specialized companies, whose results were incorporated into the new system."

Wait a minute!

Colombia, the world's leading drug-producing economy, is now going to count "illicit crops"—i.e., drugs—as part of its GNP? And a "specialized company," unnamed, has already been hired to carry out "the measurement"? *This is the legalization of the drug economy.* Whose idea was this, to count drugs as part of GNP? Who is behind this?

It turns out that it was the International Monetary Fund (IMF). And thereby hangs a tale.

'Sophisticated techniques'

As the news of the DANE announcement exploded in the Colombian press on June 9, DANE Director General René Verswyvel defensively told the media that his unit was only acting on a direct "recommendation" of the IMF going back to March 1998.

If the income from the drug trade were not accounted for, Verswyvel said baldly, "Significant errors could be committed in the financial accounts, and even in foreign accounts." This would suggest that Colombia needed more in foreign loans than is really the case, he added, since "in any case, the resources generated by these [illegal] activities are a source

of financing for other domestic activities," and must therefore be counted.

DANE spokesman Dr. Jairo Urdaneta explained the matter more fully to *EIR*'s Bogotá office. The new accounting procedure, he offered, is based on Articles 630, 631, and 632 of the "System of National Accounts Methodology" handbook, issued in 1993 by the IMF, the World Bank, the United Nations, and the European Commission, which mandates the inclusion of all illegal economic activities in national accounts.

But this was no mere recommendation, Urdaneta hastened to add. In 1996, Colombia formally adopted the IMF statistical standards, which require IMF visits to verify the statistics—"and they make drastic recommendations based on them," he confided. A 1997 IMF mission to Colombia discussed the matter further, and two additional missions in 1998 put the final nail in the coffin, deciding that Colombia should begin by counting drug crops, and move on to other illicit activities (drug processing, etc.) later.

IMF headquarters in Washington, D.C. was less forthcoming about their role in this scandal. When questioned by *EIR*, Western Hemisphere division public affairs officer Francisco Baker at first denied any involvement. Then he was forced to admit that the recommendation was indeed the IMF's, and that "sophisticated techniques" of accounting were required to fulfill it. And he eventually confessed that the IMF's view is that, "ideally," heroin and all other illegal activity should also be counted by all countries, just as the Netherlands includes prostitution as part of its national economic activity. "In principle, countries all over the world should be measuring illegal activity," he intoned (see interview below).

Not everyone consulted was so sanguine about the matter. Colombia's leading daily *El Tiempo* wrote that "if this means that the government is going to stop fighting the production of marijuana, opium poppies, or coca leaves, one of the first to be tried would have to be the International Monetary Fund." And U.S. White House anti-drug policy adviser Gen. Barry

McCaffrey (ret.) snapped: "It must be made very clear publicly that this is blood money: It is the blood of Colombian policemen and soldiers. It is an illegal activity. . . . Should we count prostitution or other forms of illegal activities as part of the economy? I doubt it."

But as such sane forces were still reeling from the implications of this latest IMF outrage, a second shocking development occurred.

Wall Street's 'new high'

On June 26, Richard Grasso, president of the New York Stock Exchange, returned from a trip to the southern jungles of Colombia, to announce that he had just struck a pact with the drug-running Revolutionary Armed Forces of Colombia, or FARC. Grasso hailed the FARC leadership as "extraordinary," said they had discussed a "mutual exchange of capitals," and announced that he had invited the FARC's "Supreme Commander," with other leaders, to "walk the trading floor with me" at the New York Stock Exchange (NYSE).

Grasso hailed his FARC pact as part of the stock exchange's strategy of being "very aggressive in trying to pursue international markets and opportunities," and he declared that he hoped his visit "will mark the beginning of a new relationship between the FARC and the United States."

What kind of relationship? Well, Colombia today is the number-one producer of both coca, and its deadly derivatives, crack and cocaine. In the last five years, opium poppy cultivation and processing in Colombia has so expanded, that 75% of the heroin seized on the streets of the United States now also comes from Colombia. *And the FARC is the largest cartel dominating that dope trade from Colombia today*, a fact fully documented by Colombian military intelligence, and corroborated by this news service over the years (see article below).

The FARC are feared and despised in Colombia, as drug-runners who wantonly murder, kidnap, and extort, wherever they have the power to do so. In areas under their control, families are forced to turn over children over 13 years of age, or be killed. The FARC admits that their people tortured and killed three U.S. citizens in March, but defend it, on the grounds that the Americans entered "their" territory without asking permission first.

The FARC are also on the U.S. State Department's list of international terrorist organizations, which (on paper) are prohibited from activities in the United States. Yet, Grasso's deal with the FARC was carried out in full coordination with the U.S. State Department. Grasso stopped in Bogotá to get a briefing from U.S. Ambassador Curtis Kamman before heading down to the jungle redoubt of the FARC, and he briefed Kamman upon his return. A State Department spokesman lied that Grasso's was "a free-lance trip," but had to admit that the State Department had no objection to it.

Grasso was accompanied on his Colombian mission by the NYSE's Vice President of International Relations, Alan Yves Morvan, and the NYSE's head of security and protec-

tion, James Esposito. They met with the member of the FARC secretariat who heads the terrorists' finances, Comandante Raúl Reyes. The translator for the tête-à-tête was Colombia's Finance Minister Juan Camilo Restrepo, who left ongoing emergency meetings with an IMF mission then in Bogotá, to participate.

In a June 29 press conference called to promote his trip, Grasso raved at how "very sophisticated" Reyes is, "despite what his appearance may have been, given his jungle fatigues and his M-16. And he knew *a lot* about investment and capital markets, and the need to stimulate outside capital coming to Colombia. . . . [There are] some very exciting companies in Colombia that will make good additions to the NYSE international list." (See *Documentation*.)

Gross Narco Product

There are two, deeper issues raised by the coincidence of the IMF's new accounting procedures, with the Grasso visit to the FARC—issues not yet addressed even by vocal critics of these developments, but which alone explain what is really going on.

First, the driving force behind the push to legalize drugs, is the fact of the ongoing, global bankruptcy of the world financial system. There are approximately \$300 trillion in financial derivatives and other worthless debt instruments rampaging through the world financial system today. The London-centered oligarchy has determined that this, their pet cancer, must be salvaged at all costs, including by looting the physical economy of the nations of the world to the bone and killing off their populations, and by feeding the cancer with ever new and ever larger issuance of debt—i.e., by hyperinflation, as occurred in the Weimar Germany of the 1920s.

The income stream coming from the drug trade—more than a half-trillion dollars per year in blood money, according to *EIR* estimates—is considered a necessary prop to the system by the desperately overextended financial oligarchy.

To put a fine point on it: Wall Street's Richard Grasso was in Colombia to scavenge for coca dollars. The Dow Industrial index has always reflected a healthy dose of dirty money; in fact, it's fair to argue that the Wall Street and London financial markets are as hooked on drug money as a junky is on heroin or crack—and a good number of brokers and traders are addicted to the real stuff, too.

So, if you, dear reader, are "playing the markets" and are involved on Wall Street, you should know that you are not only stupid, and will soon lose your shirt; you are also in bed, financially, with drug money—*blood money*, as General McCaffrey called it—whether you know it or not.

As for the IMF and its faceless bureaucrats, the nicest thing that can be truthfully said about them is that they push drugs. Lyndon LaRouche and *EIR* have repeatedly documented that point, as far back as 1978. Now, the IMF has openly admitted it in its own words. For those nations and leaders who have capitulated to IMF and banker blackmail,

and to their own pragmatism (“But what else can we do?”), it is time to draw the line. The IMF equals drugs, and there is no deal to be struck with drug runners. There is no Third Way. You must just say no.

The second fundamental issue at stake, is that it is now high time to give GNP its proper name: *Gross Narco Product*. The Unabridged Webster’s Third New International Dictionary defines GNP as: “The total value of the goods and services produced in a nation during a specific period (as a year) and also comprising the total of expenditures by consumers and government plus gross private investment.” But if economic activity is to be measured as the monetary value added as expressed on the markets, then there is in fact no way to distinguish between productive activity (such as building power plants or growing food), and destructive activity (such as drug running), or merely wasteful activity (such as most service-sector jobs).

In fact, if monetary value is accepted as an economy’s sole metric, then one has implicitly adopted London’s bestial view of man that banishes all morality from economics: After all, we are told, a dollar is a dollar is a dollar; you may not *like* the fact that it comes from drug production, prostitution, or gambling, but you can’t let your “personal tastes” dictate “objective economic measures,” such as GNP.

That outlook is called monetarism. And it is the way economics is taught today in every major university in every single country around the world—whether it be called neoliberalism, Keynesianism, or Marxism.¹

If that is *your* outlook, or the outlook you tolerate, then please answer a few simple questions: If drugs and prostitution are to be counted as part of GNP, shall we then consider a successful drug bust as a reduction in GNP or “value added”? Shall we also count pornography as “value added”? What about child pornography (it’s a multibillion-dollar business)? How about “snuff films,” where people (especially children) are sexually exploited and then murdered, on film?

Perhaps murder, rape, and torture should also be counted as part of GNP—with “sophisticated techniques,” no doubt? Was the poison gas used in Hitler’s death chambers also part of GNP?

Do these questions make you uncomfortable? Then where do you draw the line? More importantly, *how* do you draw the line between real economic value, and evil with a price tag? Is there not some fundamental difference between “bankers’ arithmetic” and “human arithmetic”?

1. Some readers may be shocked to see Wall Street’s Richard Grasso embracing “Comandante Reyes” of the FARC. But, more historically informed observers were hardly surprised. As one insightful person remarked upon seeing the photograph printed on the cover of this magazine: “Oh. Adam Smith meets Karl Marx.” In fact, the liberal monetarism of Smith and the materialist reductionism of Marx share the same roots in British political economy. As a result, their progeny, such as Grasso and Reyes, can often be found cavorting together in such projects as the legalization of the drug trade.

The stark reality is that there is no scientific, systematic, and valid way to repudiate drugs in an economy, until you are prepared to jettison the entirety of standard classroom economics, including its definition of GNP, and replace it with the science of physical economy as developed by Gottfried Leibniz, Lyndon LaRouche, and others. In this approach, economics and morality are united in the concept of economic value being defined as that which contributes to the successful social reproduction of humanity, as measured in rising potential relative population density. Science, classical culture, and creativity in all its expression—i.e., that which is moral about man—becomes the bedrock of economic advance.

Are you against drugs? Then you’d better begin to master LaRouche’s science of physical economy. A good place to start is with his article on “How to Save a Dying U.S.A.,” in this issue of *EIR*.

Documentation

An IMF spokesman on dope-accounting

A reporter for *Resumen Ejecutivo*, *EIR*’s Spanish-language magazine, held several conversations with the International Monetary Fund’s (IMF) Western Hemisphere division’s press officer, Francisco Baker, over the course of the last two weeks, seeking clarification of the report that the IMF pressured Colombia to include illegal crops in its national accounting statistics. It took a while to get an answer, Baker reported initially, because the IMF’s Colombia team was down in Colombia.

On June 28:

Baker: It seems that this is part of the UN National Accounts Manual, and has nothing to do directly with the IMF. There is something called the National Accounts Manual, which countries agree to, in the context of the UN, and it mandates that statistics should include everything produced in the country, legally or illegally. . . .

Q: And the *New York Times* article, which states that “instructions prepared by the IMF, World Bank and other international lenders clearly state that ‘transactions involving the sale or purchase of illegal goods and services must be recorded’ ”?

Baker: But that is in the context of the UN provisions.

Q: When was the UN National Accounts Manual produced?

Baker: I don't know. This is something that is probably in existence for some years.

Q: So why has Colombia suddenly decided to do it now?

Baker: I don't know. You have to ask the Colombians.

Q: Is not the IMF part of the United Nations?

Baker: Yes.

Q: So, when you say the UN National Accounts Manual has nothing to do with the IMF—

Baker: Directly. . . . Let's see. The IMF is part of the United Nations system, but it is not the United Nations per se. When I inquired about what you asked me, I was informed that this is something that has to do with United Nations Manual for National Accounts, which is something that I don't know about, or who produces it. . . .

Q: With whom did you inquire?

Baker: Within the IMF, the people handling statistics here.

Q: So it's the statistical department that might have something to do with this?

Baker: Yes, it's the statistical department, rather than the country area specific people.

Q: Are you saying the *New York Times* article is not true?

Baker: No.

Q: "Instructions prepared by the IMF, World Bank and other international lenders clearly state that, 'transactions involving the sale or purchase of illegal goods and services must be recorded.' "

Baker: I don't know. It depends on the context. . . . But where are they taking this information from? I have no specific knowledge about that, that's what I'm saying.

Q: Is this a step toward legalization of drug flows?

Baker: Of course not. It is being said that this is illegal. This is for *purely* statistical purposes, and you need the statistics even to combat illegal crops. . . .

Q: Can you find out a couple of things for me?

Baker: Yes. Let me have it.

Q: The first question is: Is this *New York Times* article's statement true or false? . . . When was the UN manual produced, and why is it being activated now? . . . What other countries include this? And what is the distinction between counting illegal agricultural crops, and the dope trade itself? The peasants get the least of it. What is the distinction, then, with cocaine, heroin, amphetamines, and all that? Why ac-

count for one and not the other?

Baker: Based on what I heard, it should include everything. All crops.

Q: But that's not what they are doing so far. It's only crops. . . . My question is: If your statistics are to include all financial transactions, "sale or purchase of illegal goods," then that should include processed cocaine, heroin, amphetamines—you name it. That would have quite a "statistical" shift in world financial flows, would it not?

Baker: Okay, let me find out what I can find out.

Q: Thank you. Because this is an inadequate answer.

On June 29, Baker called back, with his findings.

Baker: I have a little bit more information, more or less along the lines of what I told you yesterday. This manual is called the "System of National Statistics, 1993," and it is a methodology for compilations of data having to do with the national accounts of countries. This is a joint effort done by the United Nations Statistical Committee, plus the IMF, plus the World Bank, plus the European Commission, plus the OECD [Organization for Economic Cooperation and Development]. And, the part where it said that illegal crops—illegal activity, not illegal crops, particularly, but illegal activity—should be measured, has been there since 1993.

Your question about why not include heroin: There is nothing against—I mean, ideally it *should* include it. The problem is, that, in the particular case of Colombia, they don't know how to measure that kind of data. Crops, somehow, are easier to measure, that's why they include crops. But for you to have an idea, in the case of the Netherlands, for instance, they include prostitution as part of what the statistics measure.

We don't have a very clear idea—I am still waiting to talk to someone who would let me know which countries are doing this. But, in principle, countries all over the world should be measuring illegal activity as part of the exercise of assessing the size of the respective economies. We've made recommendations to Bolivia along the same lines, and to Colombia. By the way, that recommendation to Colombia to do that, was made back in 1997. . . .

Q: Do you have anyone there working on developing means for estimating—

Baker: No, No. the only role we have is on the preparation of the manual, and in telling people they should look at the manual.

Q: If you tell people to look at the manual, and the Colombians come back and say, "Look, we have a problem estimating this," I'm sure you have someone there working on how such estimates should be made?

Baker: I can see if this work is being done.

Q: The drug trade has been around for quite a while, and various people estimate what it is —

Baker: It requires — What I was told, is that this kind of measurement requires a lot of statistical sophistication. But exactly how it works, I have no idea how much we would train people to do that.

Q: I would think the IMF surely would have that kind of statistical sophistication.

Baker: We have a relatively small agency. We have some 2,600 people here, following the global economy, and doing all sorts of things, so I'm not sure that we would have people enough to do that kind of field work that has to be done by countries. We just provide the guidelines. But I will double check on that. . . .

Documentation

New York Stock Exchange chief hails dope deal

New York Stock Exchange Chairman Richard Grasso reported back on his visit to Colombia, at a press conference in New York on June 29. Initially scheduled on Colombia alone, the press conference was combined with the announcement that the Securities and Exchange Commission had issued its findings, following an 18-month investigation into NYSE functioning after eight brokers had been indicted for insider trading.

EIR was on telephone hookup for the press conference, but questions were only taken from journalists present in New York. The affair was surreal. Most of the journalists concerned themselves with questions about 'round-the-clock "e-trading," and the like. A few raised questions about Colombia, but not one raised the obvious questions about the NYSE's new partner's relationship to the dope trade. Nor did anyone seem to notice the irony of the conference: Here was the smooth-talking head of the New York Stock Exchange, waving around the fact that (once again) the SEC had imposed "no fine! no censure!" upon the NYSE for some relatively penny-ante crimes of insider trading, all the while fawning over his meeting with a leading drug cartel financier and killer. "We pride ourselves on the . . . integrity of this marketplace," Grasso intoned. "The public holds this institution to a higher standard, and appropriately so. So any time you read

about an infraction, whether it's committed by one, or five, or eight individual [brokers], that's one, five or eight too many." One would think that only a real sucker would buy this fella's snake-oil.

Grasso's comments on Colombia follow. The questions are summarized.

Grasso opening statement: The issue of our trip over the weekend to Colombia is one that I think has got to be set in the context of a private sector initiative; it was not at the initiative of the U.S. government, but rather at the invitation of Colombia's President [Andrés] Pastrana, whom I had met a few months back, and the President was very interested in having someone from the private sector, and particularly from the capital markets, come to Colombia in advance of the initiation of the peace talks which will begin on July 7, with FARC; someone from the private sector to come and share with FARC's leadership the merits of economic development in a post-, if you will, war Colombia. I use the term "war" not in the sense of the conventional application, but in recognition that for 35 years there has been guerrilla activity in Colombia, and the FARC being the largest of the guerrilla movements, with some 20,000 armed soldiers and a history of some 35 years of conflict with the government. The FARC negotiations which begin next month will be very important to the future of Colombia.

President Pastrana is a great believer that peace can be negotiated, with a timetable that is relatively achievable over the next few years, and it is his wish, that once peace is established, there be economic development, investment in Colombia, and that was the subject of my discussions with Comandante Reyes. We met for an hour and half, and talked about the opportunities for investment in Colombia once a lasting peace is achieved, and the world recognizes that to be one that can be widespread throughout the country.

Q: Do you wish to say any more about your trip to Colombia?

Grasso: For those who have had the privilege of visiting Colombia, it is an extraordinarily beautiful country. For the better part of 40 years it has been torn apart by guerrilla activity. The new President is a very impressive — an impressive man, and a strong believer that he will make the difference, that he will negotiate peace with the guerrillas.

The leadership that I met with, I believe understands the value of a peace in Colombia. Comandante Reyes and the FARC recognize that it is not acceptable to the world that Colombia be viewed solely as a narco-traffic economy, and that the days of that being the principal industry are over. He is very well-attuned to the subject of alternative investment, what will happen when a peace is arrived at in Colombia, and is very open to the dialogue we had on the whole process of democratization of capitalism: How neighboring countries such as Chile, and others in Latin America, had repositioned

their economies to create nations of owners.

He was very interested in the model here in the United States, because, to his surprise, we spent a bit of time talking about the breadth of share ownership in America. How stockholders were not simply those in the financial community, but those who are on assembly lines, those who are teaching school, driving buses. And I think the leadership of FARC is sophisticated enough to understand that there will be a next chapter for Colombia.

FARC currently has, by the government's grant, a piece of real estate that is the size of Switzerland, that they control. That is where we met with the guerrillas at Machaca, which is somewhere to the south of San Vicente—I think.

But it was an *extraordinary* experience, in the sense that the Comandante was trained as an engineer in the former Soviet Union. *Very* sophisticated, despite what the surface appearance may have been, in terms of his jungle fatigues and his M-16. And he knew a *lot* about investment and capital markets, and the need to stimulate outside capital coming to Colombia. Very interested in how Colombian companies could come to the U.S., and raise capital to be invested in the country.

So, it was extraordinary. It's the second time I've been to Colombia. This visit was the first under the leadership of President Pastrana, whom I have *enormous* respect for. I believe he is a true merchant of peace, and will make a difference in that country.

Q: Do you foresee playing an ongoing role in negotiations?

Grasso: To the extent that President Pastrana would like me to play a very, very tangential role, in terms of investment, capital market development, and advising both his government and those whom he's talking to in the peace process, I would be honored and willing to do that. I don't look at myself as a participant in the negotiations, although I will tell you that we are privileged to trade two of Colombia's banks, Banco Ganadero and GranColombia, and there are enormous—I think some very exciting other companies in Colombia that would make good additions to the NYSE's international list.

My ongoing role with Colombia is to serve as a member of President Pastrana's Millennium Advisory Board, which is how I got involved with the President, and with this visit this past weekend, and I believe that he is a true believer in peace, and to the extent that he chooses to use me going forward, in other than the political negotiations, I'm going to be at his disposal.

Q: [Comments on the FARC killing of three Americans.] Was there any reaction from the Clinton administration to this trip?

Grasso: Well, I think the State Department made it very clear that the trip was a trip from a private sector representa-

tion, not a representative of the U.S. government. . . . I was there at the request of President Pastrana, as a private citizen, as an emissary of finance, obviously, and certainly as someone who has benefitted, being the CEO of an institution that trades two of Colombia's banks. It was in that capacity, and not in an official representation capacity of the U.S. government, that I met with Comandante Reyes. I think that it is—suffice to say that FARC understands that when a peace is negotiated in Colombia, it's got to be peace based on justice, a system of justice, and in that negotiating process, I think that the leadership, the FARC and the leadership that President Pastrana will have at the negotiating table, will have to work those issues out.

Q: [Inaudible.]

Grasso: I invited Comandante Reyes and the Supreme Commander [Manuel "Tirofijo" Marulanda, head of the FARC] to walk the trading floor with me, and I hope that—and to do that together with President Pastrana. And I hope that when they do accept that invitation, they'll have the firsthand experience of what we talked about on Saturday: They will take the academic, and turn it into the real-life experience. It is very important to recognize that—as President Pastrana has—that FARC has got to take a much broader view of Colombia, of Latin America, and of the world stage that Colombia hopes to compete on. And I think extending and permitting differing factors the opportunity to come here, and to walk the trading floor, and to understand capitalism firsthand, will be very valuable in a post-settlement Colombian economy.

I'm not so naive as to think that the Comandante will be here next week, but he certainly recognized the value of coming to America, and experiencing, not just the financial markets, but the technology of agriculture, which will become very important in redeveloping the Colombian economy; where and how to stimulate foreign investment in Colombia; how to raise capital, both in the region and outside of the region.

And again, to underscore: This was a very, I believe, sophisticated leader. I think that Raúl Reyes—Comandante Reyes—is quite knowledgeable, and very much interested in coming and seeing this firsthand. Perhaps meeting many of you.

Q: Did you have any contacts with U.S. government officials before and/or after your trip?

Grasso: As you pointed out earlier, the U.S. government has broken off any relations with FARC. The American Ambassador to Colombia was gracious to give us a briefing before we went into the jungle. He was with us Saturday night, when President Pastrana hosted a dinner for the business community and the financial community, and we openly shared our experiences.