# RELGON & The Institute on Religion & Democracy

April 1990

# New Day for Nicaragua

By Fredrick Jones

As free and fair elections go,
Nicaragua's left much to be desired.
The ruling Sandinistas, wrote observer Bruce Babbitt in *The New Republic*, played it "like a pinball machine, shaking and jiggling it to improve the score, but never quite enough to light up the 'tilt' sign."
But when the points were added, the Sandinistas received no free game. Now they must play as the loyal opposition, a role they worked so hard to undermine while in power.

The people of Nicaragua made it clear that the decade of Sandinista rule did not produce the freedom and justice for which they hoped. Stunned Sandinista sympathizers in the United States, including many oldline church leaders, now must make sense of this interruption in the supposed "progress" of Nicaragua's Marxist revolution. How could Nicaraguans be so ungrateful as to reject what some church activitists thought was the dawning of the Kingdom of God on the American mainland?

## **Coming to Terms**

Rather than coming to terms with the manifest will of the Nicaraguan people, some Sandinista backers → See New Day, page 3 Cardinal Obando Congratulates Election Winner



ardinal
Manuel
Obando y
Bravo
embraces
President-Elect
Violeta
Chamorro at
Mass in
Managua the
day after the
February
election: RNS
Photo / AP /
Wide World.

Religious Liberty Alert

# ... Old Day for China

Government targets "unofficial" Christians

By Fr. Stan De Boe

Y outong, of China's Heibi Province, has about 4,000 residents, 1,500 of whom are Catholics loyal to the Vatican. These Roman Catholics had petitioned the government to return church property confiscated during the Cultural Revolution. When this was denied, the people erected a tent on the church site and celebrated Mass there every morning thereafter.

After trying to stop the gathering for a month, local officials sent in more than 2,000 police using electric prods, clubs, bricks and stones. They raided Youtong, beating hundreds, leaving at least 160 people severely injured and two dead. The parish priest is currently being detained.

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### China, from page 1

Surprisingly, this event occurred prior to last spring's Tiananmen Square massacre and the implementation of martial law. Tiananmen Square was only the most visible aspect of a crackdown that had begun previously for Christians in China. Clearly, the moves toward increased repression were influenced by the democratic movements in Eastern Europe, as indicated by China's Central Committee last December. It reported that the crackdown was at least partially based on a belief that Pope John Paul II and

the Catholic Church were behind the changes in Poland. A similar movement in China could progress beyond the government's ability to control it.

#### "Unofficial" Christians

Government actions against Christians follow from a February 1989 law that re-implements strict control of religious activities. It particularly affects underground groups remaining loyal to the The immediate result was Vatican. widespread reports of arrested Catholics: 19 in Handan diocese, Hebei; 19 in Xingtai diocese; and 20 in the territory of Shijiazhuang diocese. Though sources report that these have been released, repression has only intensified since May. Those not belonging to the government-sponsored religious groups have been singled out for control.

Document #19, issued in 1982, describes the central party's policy toward religion. Despite a legal guarantee of religious freedom and protection for religious activities, it also poses strict limitations. It forbids youth from participating in religious activities, limits worship to approved buildings, establishes patriotic organizations to control religious bodies, places clergy training in the hands of the patriotic organizations, states that religious bodies should not oppose the Communist Party, and requires Catholic and Protestant groups to be independent of foreign influence. The Vatican and foreign mission societies are considered "reactionary groups" from abroad.

The official Protestant community is influenced by the Three Self Patriotic Movement (TSPM) which is headed by one of China's most visible and controversial religious leaders, Bishop K.H. Ting. The Catholic community is controlled by the Catholic Patriotic Association (CPA), which rejects union with the Pope and the Vatican. Christian leaders not associated with

these groups are not recognized by the government.

Parallel to these official groups is the growing underground house church movement, which for the Protestants has been strongly propelled by evangelism. Some church leaders have been imprisoned for years or remain under house arrest; after the declaration of martial law, the government stepped up its repression.

#### **New Arrests**

A February 8, 1990 statement from the State Council's Religious Affairs Bureau confirmed that the arrests of underground Catholics was due to "their



lated for Demolition: House church in Canton, part of China's growing 'unofficial" Protestant movement. Photo: News Network

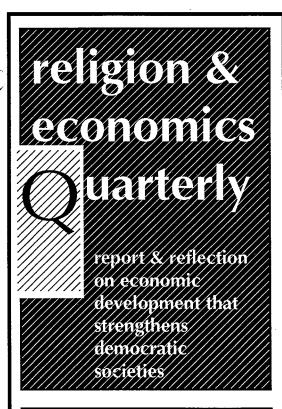
loyalty to the Vatican and to the Pope." Particularly important was the arrest of Bishop Joseph Fan last December. Bishop Fan is the leader of the clandestine Catholic community; his whereabouts are unknown.

The first reported trial of Protestant church leaders since 1987 also took place after martial law. An evangelist arrested in March 1989 and detained again in November was sent with his co-worker to a "rehabilitation program" which may require them publicly to renounce their faith.

Reported problems are not confined to arrests. A house church (#35 Damozhan) in Canton, well-known as a gathering place for the underground Protestant movement, has been slated for demolition. There are also strong indications that the Religious Affairs Bureau has sanctioned the harassment of members of this Christian community. House churches in other areas also report being under heavier surveillance.

Taking '

To protest this persecution, including the demolition of the Canton house church and Bishop Fan's detention, please write to The Honorable Zhu Oizhen, Ambassador of the People's Republic of China, 2300 Connecticut Ave., N.W., Washington, D.C. 20008.



IRD's Economic Studies
Program probes new world
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Dickens takes on Peru -review of Hernando de Soto's *The Other Path* -- page 2

Churches aim at relieving Third World debt burden -- page 3

Lawrence E. Adams, Editor Dana Preusch, Assistant Editor Fredrick P. Jones, Economics Associate

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Spring 1990

# IRD Economic Studies Probe Changing World

The IRD has been reporting on issues of poverty and wealth, development and the relationship of economic liberty to other democratic values for a number of years. Primarily through The Religion and Economics Report we have analyzed church pronouncements and activities on these issues, which are extensive -- from sanctions and boycotts to major treatises on development, debt and international economic order. The Nestle boycott, divestment from South Africa, the Catholic Bishops' Economic Pastoral, the liberationist "The Road to Damascus" are just a sample of the issues of the 80s. A small circulation of interested individuals and institutions has been receiving this publication to stay up to date on these matters.

We are now expanding our Economic Studies Program. Many things are catching our attention: the increasingly clear relationship between a dispersion of economic and political power and the ability of a society to provide more abundantly for its citizens; links between economic freedoms and other freedoms, including religious liberty; the demands for material provision which contributed to the democratic revolutions in Eastern Europe in recent months; the obvious growing importance of international economic system in world affairs, and its links with matters of security and diplomacy.

IRD plans to address these issues. Our new Economic Studies quarterly report will be sent with IRD's newsletter *Religion and Democracy*. This will make our research and analysis available to all IRD subscribers and supporters.

Additionally, the Economic Studies Program will release two major studies for use in churches and colleges this year: an introductory "primer" which will will define and clarify the meaning of key economic terms while explaining the role of economic institutions, churches and religious organizations in the international economy and, secondly, a briefing paper exploring the status of economic development in Eastern Europe with a specific emphasis on the role of the churches in this restructuring process.

Our new Economic Studies team will be led by IRD's Associate for International and Economic Affairs, Dr. Lawrence E. Adams. Working with him will be



Assistant Editor Dana Preusch and Economics Research Associate Fredrick Jones. We think you will be delighted with the expanded scope of our work in economics. We are grateful to our supporters for their efforts to help us promote freedom and democracy worldwide.

# Review

# Of Dickens and Development

Churches are rightly concerned about economic conditions in much of the world. But what are the causes of the debilitating poverty which stifles the inhabitants of much of the "Third World?" How.do compassionate people respond? What can they do to advance development? Amy L. Sherman, a graduate student in the Woodrow Wilson Department of Government and Foreign Affairs at the University of Virginia, reviews Hernando de Soto's provocative contribution to this discussion.

t would not be surprising if Hernando de Soto, author of *The Other Path* (Harper & Row, 1989), was

discovered to be a Charles Dickens fan. De Soto's book is, in many ways, a tale like Bleak House. Dickens' characters are caught up in a web of crushing and exploitative legal madness, and de Soto's Peru sounds a great deal like Dickens' England. Peru today is the law-ridden. bureaucratic

state England once was. But England transformed itself into a prosperous, industrialized democracy. According

to de Soto, so can Peru.

England's transformation was marked fundamentally by the erosion of the mercantilist state. Privilege gave way to property, patent and contract rights. Whereas the marginalized had earlier been excluded from various economic activities through monopoly practices and excessive state control, by the end of the 19th century, they had open access to property and business. As de Soto tells the story, England's "informals" were "integrated" into the official economy; now he wants to write the same script for his native Peru.

De Soto argues that underdevelopment is the result of unjust, unwieldy legal systems that stifle entrepreneurial initiative. On the basis of several years research on the "informal economy" of Peru, de Soto concludes: "the legal system may be the main explanation for the difference in development that exists between the industrialized countries and those, like our own, which are not industrialized." De Soto's study of Peru also has relevance for all of Latin America.

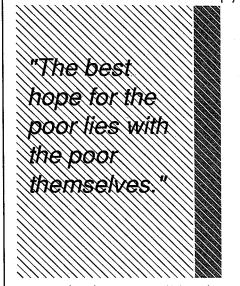
Peru's system is now mercantilist -- a state regulated economy in collaboration with a few businessmen who receive special treatment in the form of subsidies and protection. Most of Europe was mercantilist throughout the 17th and 18th centuries. The 19th century saw the erosion of mercantilism and its replacement with market-oriented economies leading to

Western Europe's striking growth.

Peru's legal behemoth would doubtless enliven Dickens' scathing pen. According to de Soto, a Peruvian of humble origins desiring to establish a small garment "factory" would need 289 working days and \$1,231 (some 32 times the average monthly

wage) to fulfill prescribed bureaucratic procedures. Obtaining waste land on which to build housing requires 207 administrative steps taking about 3 years and 7 months and involving 48 different government agencies. A similarly menacing web of bureaucratic red tape inhibits the Peruvian poor from legally incorporating businesses, obtaining licenses to operate legally taxis and minibuses, and engaging in a variety of economic activities.

Peru's unjust legal structure hurts "formal" businesses as well. Comply-



with bureaucratic regulations consumes resources which otherwise could be spent on productive activity or investment. Bad laws also, de Soto says, hurt society at large. The state's excessive involvement, rationalized as necessary for the redistribution of wealth to the needy, has increased unemployment, decreased tivity, and severely politicized the economy. Businesses are rewarded not for economic efficiency or quality products but for savvy in the manipulation of government favors. Simply put, the existing legal system prevents the poor from overcoming their deprivation. Consequently, the have revolted, and poor established an alternative economy with extra-legal norms which govern their economic relations. The primary concern of the poor in the informal economy is securing private property rights. The formal economy is preoccupied with the *redistribution* of wealth and benefits the "haves;" the informal economy is preoccupied with the



Hernando de Soto

creation of wealth and works for the poor and the powerless.

that Peru's Soto charges redistributive legal system has negative upolitical consequences as well. He "a legal system whose sole writes: purpose is redistribution ... benefits ... only those best organized to establish close ties with the people in power." Moreover, the poor lack real political access in Peru's formal democratic structure because the executive branch -- largely hidden from public scrutiny and debate -- makes 99% of the laws. In short, the state-centered approach to helping the poor has in fact worsened their economic lot and in effect barred them from participating in political decisions which directly affect them.

De Soto advocates simplifying, decentralizing, and deregulating Peru's legal system as the first steps in sweeping away the inefficient and unjust formal economy and replacing it with a truly market-oriented informal one. The state will "be able to devote more resources to doing things which private individuals cannot or do not do well," such as providing law and order, transportation and education, and controlling monopolies.

The informal economy has grown significantly in the 1980s and is encroaching on the formal economy. This is a good sign, according to de Soto, who notes a similar development in the late mercantilist period of Western Europe. To secure a peaceful, democratic outcome, the Peruvian state must stop resisting the encroachment of informals and instead gladly welcome them -- and their more efficient system -- with open arms.

The best hope for the poor lies with the poor themselves, concludes de Soto. These courageous entrepreneurs do not need paternalistic models of political or economic development imposed from the top down; they have already freely chosen and established for themselves a truly democratic-capitalist system. They seek simply its adoption nation-wide. Dickens might comment that "the best of times and the worst of

times" exists today in Peru: the poor have been trapped in state-induced underdevelopment, but their resourceful responses to it are the keys to liberty and prosperity.

# The Road to Bad Policy: Churches Talk about Debt

IRD Economics Associate Fredrick Jones looks at a sample of some churches' underlying assumptions.

Since international debt repayment was elevated to "crisis" status in the early 1980s, church leaders have called for a more urgent response by creditor governments. Along with arguing that *more* be done, the accompanying descriptions of debt in Latin America and Africa often are leavened with some distorting assumptions about how the world economy works -- which in the end can lead to some distorted policy prescriptions.

The poor are bearing an inequitable amount of the debt burden. This paraphrase of assertions found in many church statements is rooted theologically in a concern for the poor. It forms the basis for many Christians to call for relief for Third World debtors. This concern for the poor is laudable, though what might constitute "an inequitable amount" cannot be determined without first international assuming that the economy is structurally skewed to benefit primarily the First World.

Some things can be said fairly about how the current international system affects the poor within underdeveloped nations. Third World economies with major debt repayments need foreign currency and therefore usually promote commodity exports. The most underdeveloped economies have difficulty adjusting to unstable international commodity markets, on which many rely heavily.

The poorest within these poorer nations have the least ability to survive even minor shocks in the international economy. Some nations oriented around commodity export divert the production away from basic food and other consumable goods that the marginalized population needs at reasonable prices.

"Structural adjustment programs" required by international financial institutions primarily to curb inflation also can inhibit the availability of basic consumer goods (in part, by making imports more expensive). In short. these nations face serious difficulties in and diverse healthy developing economies. At the same time, they don't produce needed goods for their own people at affordable prices. High First World interest rates and protectionist import quotas don't make these problems easier to handle for Third World debtors.

To argue, though, that the poor are more vulnerable does not validate the claim that the First World, by intention or default of "capitalist logic," impoverishes the Third World for its own gain. The poor's suffering cannot be so simply traced to a single villain such as the First World and its creditors.

world's poor be required to sacrifice in order to sustain the lifestyle of the world's more affluent people." This statement by the U.S. Catholic Conference issued last September places more blame for the debt crisis on the First World. It is a short jump for others, such as Carol Barton of Church Women United, to the more radical belief that the "poor

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countries of the world are subsidizing our economy [U.S.]."

In full form, this says that Third World economies are captive to the First World, which prevents the underdeveloped from prospering. A World Council of Churches book, Ecumenical Reflections on Political Economy (1988), reflects this "dependency theory": Links between First and Third Worlds "in practice show themselves to be a heavily dependent relationship whereby developing countries ... bear the brunt of economic change and adjustment in the international sphere. as well as the consequences of domestic economic policies in the major industrialized countries."

Advocates from a "dependency" perspective place the burden for fixing the debt crisis on the creditors who are always asked to be flexible, conciliatory and patient without debtors having to alter their misguided domestic policies. At the same time, those alarmed by Third World capital outflows for debt repayment usually fail to count, or account for the original loans and what was done with them. Some, such as John Cavanaugh of the Institute for Policy Studies (writing in the October 14, 1985 Christianity and Crisis), admit that Third World governments and elites initiated many "ill-conceived projects" that "were implemented in a manner insensitive either to the needs of the poorer majorities or to the environment,"

But rarely do church statements admit that the socialist or mercantilist economies of many debtors present major barriers to the poor's full participation in society. Nor do they discriminate sufficiently among types of debtors. The poorest nations, largely in Africa, have low-interest debt owed primarily to governments already willing to forgive it. It is the most developed, industrialized of the Latin American nations -- Brazil, Argentina, etc. -- that have the highest outstanding debt to commercial banks and the least valid external excuses for the condition of their economies.

"From an ethical, economical, and political point of view we believe that the debt of the so-called Third World is illegitimate and therefore should not be paid." So says the September 1989 Interfaith Action for Economic Justice report on Third World debt, which was signed by many oldline church leaders.

This statement turns dependency arguments into radical policy choices. Post-colonial First World "loans" really weren't loans at all, they say; they were payment for past sins. Thus, repayment ought to be repudiated.

But how can dependency theory hold up when so many former colonies (note East Asia) have escaped underdevelopment? If the Third World is not bound by the past, not to mention the current world economy, the grounds for repudiating debt quickly vanish.

Many who are unwilling to call for debt repudiation nevertheless resist the "conditions" that international financial institutions place on their assistance. In principle, this position flatly rejects any involvement -- which is interpreted as "interference" -- by outsiders in internal affairs. This is reminscent of the absolute state sovereignty principles embodied in the New International Economic Order of the 1970s. While certain forms of "conditionality" may be of dubious benefit to the poor, it is difficult to argue that resistance to conditions based on power politics meets the poor's needs.

In contrast to the problematic statements above, John Langan, an ethicist at Georgetown University, begins by asking how debt relief connects to the formation of Third World economies that truly empower the poor.

Debt renegotiation, Langan writes in the February 24, 1990 issue of *America*, "should be appraised primarily in terms of its consequences for the internal economic renewal of the debtor countries." Toward that end, debt renegotiation schemes must "be appropriate to the nature and responsibilities of the actors" involved.

Langan called for a rejection of arguments obscuring the need to attract investment by foreigners and debtors' own citizens. "Forgiving debts can indeed be the right thing to do, but not if it is the only thing and not if ... done in a way that leaves poor countries without capital or without reasonable prospects for economic growth."

# Recent Statements on Economics, Ecology

Two major documents treating the relationship of faith and economic matters have recently been released: the World Council of Churches' Justice, Peace and the Integrity of Creation and the Oxford Declaration by a recent consultation of 100 evangelical scholars and activists. These are markedly different documents, but they will be influential guides for action for their constituencies. An IRD Briefing Paper, which compares and analyzes both, is available for \$2.00. Please address 🐛 your inquiries to the Economic Studies Program or call Dana Preusch at (202) 393-3200.

# New Books on Christianity and Economics

Some recent and noteable publications include: Patterns of Corporate Philanthropy, which lists recipients of corporate giving; it is available from the Capital Research Center, 1612 K Street, NW, Suite 704, Washington D.C., 20006 ... Fr. James Schall, SJ, of Georgetown University and an IRD Advisory Board member, has written Religion, Wealth and Poverty; it is available from the Fraser Institute, 626 Bute Street, Vancouver, B.C., Canada, V6E 3M1 ... Richard C. Chewning of Baylor University has finished two of three volumes in his NavPress series, Biblical Principles and Business: The Foundations.

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find it easier to fall back on an old habit of blaming the United States.

One form of this perspective, put forth in a March 9 letter to *The New York Times* by Joe Eldridge and Alex Wilde of the church-supported Washington Office on Latin America, claims that the U.S. laid siege militarily and economically to a small impoverished country, bringing it "to its knees." All the people could do, basically, was beg for aid from Washington by voting for opposition candidate Violeta Chamorro.

Further, Presbyterian Church (U.S.A.) observers found it "ironic" that voters "turned to the U.S.-backed opposition to rescue them from conditions brought on by U.S. policy." Ironic? Maybe the central problem wasn't U.S. policy.

Most Nicaraguans believed -- and President Daniel Ortega boasted -- that the U.S. eventually would disband the Contra rebels and lift the trade embargo even in the event of a Sandinista victory. Thus, the Nicaraguan vote must primarily be explained by internal, not external factors.

The military draft, far more than the scaled-down civil war, was the biggest issue in voters' minds. The Chamorro-led United National Opposition (UNO) promised to end conscription while the Sandinistas did not; voter preference for UNO in this case had little to do with U.S. policy.

Military conscription is a major example of the many government activities rejected by voters. IRD board member David Jessup, who monitored the election for the AFL-CIO's American Institute for Free Labor Development, said that though the people complained about the economy and the war,

"what really seemed to anger them were the countless personal indignities suffered at the hands of the Sandinista Party cadres and the state security police....

"To my way of thinking," Jessup added, "the best way to explain

# Have You Checked Your Nicaraguan Mission Lately?

U.S. church leaders have been asked by IRD to undertake an urgent re-evaluation of their mission work in Nicaragua after the stunning upset election of Violeta Chamorro in February.

In a letter dated March 5, IRD Chairman Edmund W. Robb said that the Nicaraguan people "voted to turn their backs on a misguided Marxist revolution. Instead they now seek a new revolution in political and economic freedom, out from under the domination of a militarized 'vanguard' party."

He said that many churchsupported organizations and missionaries are "sadly compromised by their longtime commitment to the Sandinista cause." Robb asked church leaders to consider whether such groups and individuals are capable of working in the new Nicaragua.

Robb said a dialogue must begin in U.S. churches about the compatibility of their missions with the goals of freedom and national reconciliation chosen by Nicaraguans. Accordingly, IRD pledged to pray for and offered assistance to such a dialogue. both the election results and the failure of the polls to predict those results is this: people fear and reject the intrusions of totalitarianism in their lives."

#### **Insulting Nicaraguans**

Beyond being wrong about why the people rejected the Sandinistas, church leaders claiming that those voting for UNO simply gave in to intense U.S. pressure insult the Nicaraguan people.

William Sloan Coffin of SANE/FREEZE said that the people "voted with their bellies and not with their hearts." Patricia Rumer, General Director of Church Women United, told Religious News Service that the Sandinista defeat was "not a rejection of the Nicaraguan revolutionary process but a statement by the people that they want peace." Maureen Fiedler of Quest for Peace said the average Nicaraguan does not understand the difference between capitalism and communism. "This was simply a vote for peace, a vote for food," she said.

Church representatives claim that the people were "weary." But perhaps the Nicaraguans were smart and courageous. Church representatives seem to assume that voting for UNO was easy, and find only ambiguity in the lack of post-election celebrations. In reality, it required a sober willingness to face the instability and chaos likely to surround a transfer of power. More than just having their "bellies" filled, the people apparently wanted greater freedom. While the Sandinistas were cornered into elections through the labors of Costa Rican President Oscar Arias, Chamorro promised everyone democratic participation in society beyond the election, something that the Sandinistas had

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**New Day,** from page 3 so consistently denied dissenters from the party.

#### **Praising Ortega**

The decisive UNO victory undermines the view that the Sandinistas have broad popular support, though this hasn't stopped some U.S. church leaders from



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making the claim. As a result, they have avoided any mention of, much less supportive words for, President-Elect Chamorro. Instead, their post-election comments generally have been restricted to praise the election's fairness and the virtue of Ortega for allowing his government to be democratically accountable. Such praise, however, does not take into account the Sandinistas' restrictions on UNO access to government radio and television for campaigning, their intimidation of **UNO** candidates and election observers, their massive use of state resources in their campaign, and the delay of some U.S. aid to

UNO until it was largely irrelevant to the outcome.

Between the election and April 25 when Chamorro takes office, negotiations over control of the military and the interior, plus the fate of the Contra rebels will raise or reduce tensions in Nicaragua. Post-election violence against UNO supporters, along with the distribution of arms by the government to Sandinista followers, fuels Ortega's March 10 prophesy to supporters that "the storm of civil war is rising on us."

Even under relatively peaceful conditions, the amount of government left for Chamorro to reform is unclear, since the Sandinistas seem bent on privatizing for themselves resources, including television and radio stations, that they want to retain. Moreover, the Sandinstas remain as the major parliamentary force to challenge the fragile UNO coalition.

It remains to be seen what role church workers will play in the new Nicaragua, since many are deeply loyal to the Sandinistas. Particularly revealing will be the future of The Evangelical Committee for Aid to Development (CEPAD), which has received millions of church dollars while claiming to be politically neutral. A recent CEPAD newsletter derided Chamorro's political experience and claimed that UNO's influence was limited to the U.S. Embassy parking lot. Not incidentally, 10 CEPAD leaders ran on the Sandinista ticket for the National Assembly.

The Rev. Eric Swanfeldt, a United Methodist pastor who led "solidarity" visits to Nicaragua, called the election "a very sad day for Nicaragua and for us and for the poor and oppressed of the world." No, it's a sad day only for church people like Mr. Swanfeldt, and groups such as CEPAD, who seem to have believed that only the Sandinistas could bring justice to Nicaragua.

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