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Charles

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Love started

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Prime Minister

I send you

1. An article by the experienced American strategist "Gene" Rostow suggesting some reasons for Soviet interest in arms control;

[You already have this]

interesting

2. A short article from the Wall Street Journal speculating on Mr Gorbachev's propaganda policy;

I shouldn't bother.

3. A review in the same paper of a most interesting book about the economics of Latin America, principally Peru, wh. speculates on the reasons for that continent's backwardness & argues, more or less, that the only hope is the legitimization of the "black economy".

Hugh Thomas

# Gorbachev's Besieged Image Prompts Skepticism in West

By MARK D'ANASTASIO

Staff Reporter of THE WALL STREET JOURNAL

MOSCOW - Western analysts have begun to question the image the Kremlin is projecting of Mikhail Gorbachev as a besieged leader threatened by domestic opposition to his drive for economic and social change.

Such a picture of Mr. Gorbachev has developed over the past several months. It comes from comments in the official Soviet press and from the Soviet leader's spokesmen on Soviet and Western television, as well as in heavily publicized speeches by Mr. Gorbachev himself.

This image has focused Western and Soviet attention on whether the 55-year-old Communist Party chief, now starting his third year in power, will survive politically to carry through his modernization drive or fall victim to the growing resistance the Kremlin says he is facing on many fronts, including a self-interested bureaucracy, a passive public, corrupt party officials and opponents in the ruling Politburo itself.

But Western analysts interviewed in the U.S. and Moscow have begun to doubt this portrayal of tentativeness in Mr. Gorbachev's political position. While his program hasn't sparked anything like spontaneous support, these experts say the Kremlin may be deliberately promoting a "dramatized" picture of a radical liberalizer under siege to manipulate both Soviet and Western public opinion about the Soviet leader.

## 'Distracts From Reality'

"The Kremlin is trying to convince us that there's some sort of morality play going on, with Gorbachev as the force of light fighting against almost everyone else as the force of darkness," says Prof. Albert Weeks, a Soviet expert at New York University. "It's a tale that completely distracts from the reality of the situation."

Says Jerry Hough, a Kremlinologist from Duke University, "The impression that opposition has weakened Gorbachev

and could make him lose his grip on power is a myth. It's an illusion that his own supporters are promoting."

The sources speculate that the aim of such a propaganda campaign could be to engender sympathy for Mr. Gorbachev while diverting attention from two important realities: that the Soviet leader in fact is amassing virtually dictatorial power, and that the officially admitted snail-like pace in implementing his changes stems not from selfish resistance but from the inherent difficulty of changing a system that is profoundly resistant to change.

Suspicion arose among some Soviet watchers last summer when assertions that the opposition was hampering progress began to be heard from a broad array of official sources. The Kremlin's frequent departures from the official line - that conflict from vested interests could occur only in capitalist societies and that Soviet leaders enjoyed unanimous support - appeared to be more than a mere manifestation of Mr. Gorbachev's campaign for openness.

The Soviet leader's putative problems were echoed at Soviet briefings for the non-Soviet press at the October superpower summit in Iceland and in numerous press articles since. Two recent events seemed aimed at highlighting the seriousness of Mr. Gorbachev's problems, which one prominent Soviet spokesman appearing recently on U.S. television described as a "counter-revolution" to the Soviet leader's "revolution."

## Reference to Khrushchev

A well-informed Soviet playwright, Mikhail Shatrov, said in both the Soviet and Western press that Politburo opposition to Mr. Gorbachev was so strong he was nearly defeated in the March 1985 contest for the Kremlin's top job by the now-disgraced Viktor Grishin, an old-guard former Moscow party boss.

And in a Pravda article by a top party ideologist, Georgy Smirnov, the 1964 ouster of Nikita Khrushchev, a would-be reformer defeated by a conservative opposition, was lamented publicly, although in veiled terms, for the first time. This ostensibly signaled greater Kremlin concern about Mr. Gorbachev's political future.

In a recent visit to Moscow, Mr. Hough of Duke University noted that the Soviet leader, belying any weakness, has removed from the Politburo all but one opponent. The single holdout, Ukrainian party boss Vladimir Shcherbitsky, is expected to retire next year. Further, Mr. Gorbachev is positioning his chief domestic and foreign policy adviser, candidate Politburo member Alexander Yakovlev, as the party's No. 2 man.

"Power in the ruling Politburo stems from political ability," Mr. Hough says. "And Gorbachev is a great politician. His position today is virtually unimpregnable. He's as strong as Stalin was in 1927."

## Hiding Real Power

Western experts say the Kremlin is gambling that as the pitch of the official "frankness" about the opposition rises, Mr. Gorbachev's supporters, liberals both in the West and within the Soviet Union's middle classes, will be diverted from being alienated by his rapidly growing personal power.

One senior Western diplomat comments that "his image as an underdog democratizer will win him far more votes among the people he wants to influence here and in the West than if he were perceived as a powerful dictator."

"Meantime, the opposition Gorbachev and others have been railing against so loudly has made a good scapegoat on which to blame the difficulty of changing this inherently inertial system."

## Chef Bocuse Cooks Up Dish To Honor 'Cohabitation'

By THE WALL STREET JOURNAL Staff Reporter

PARIS - Renowned French chef Paul Bocuse announced a new recipe to honor the first anniversary of "cohabitation" between France's Socialist President Francois Mitterrand and conservative Prime Minister Jacques Chirac.

The dish is named "Quails Elysee-Matignon" after the two buildings in which the president and prime minister have their offices. It consists of two deboned quails resting on a bed of puff pastry. One quail is stuffed with goose liver, a specialty of Mr. Mitterrand's home town of Latche in southwest France, and the other with black truffles, a specialty of central France's Correze region, Mr. Chirac's home.

The quail stuffed with goose liver is to be placed on the left of the plate, Mr. Bocuse says, while the truffled one goes on the right. "Depending on the (political) period," he adds, "the two quails can be placed side by side, back to back, or head to head."

Yesterday was the first anniversary of the election that gave the conservatives control of the national assembly and led to Mr. Chirac's appointment as government chief. It is the first time under the Fifth Republic that France has had a president and prime minister from opposing political camps.

Mr. Bocuse said that the dish was placed on the menu at his Restaurant Paul Bocuse, near Lyon, as of yesterday.

This professor is widely looked upon as very soft!

This gentleman I met in 1985 - solid and not brilliant

Wallstreet journal, March 17, 1985

# A New Latin Hero Has a Message for Capitalists

NEW YORK—Hernando de Soto, a 45-year-old Peruvian, is a revolutionary intellectual—but not the usual kind. Peru has the usual kind too, a bloodthirsty Marxist bunch known as “*El Sendero Luminoso*,” or “The Shining Path.” Mr. de Soto’s manifesto is called “*El Otro Sendero*,” “The Other Path.” It has reached the top of the best-seller lists in Peru and Colombia and has become the object of fierce political debate throughout the Spanish-speaking world. Soon there will be Portuguese and English editions. His revolutionary prescription? Capitalism. North Americans and West Europeans both can learn a lot from Hernando de Soto. The reason capitalism has failed so badly in Latin America, he says, is that it hasn’t really been tried. What passes for capitalism is in fact mercantilism, economic control exercised by a combined business-governmental elite. Westerners reading his arguments may conclude that their own system is not immune to the problem.

In North American terms, Mr. de Soto would be called a populist, much as, say, Thomas Jefferson or James Madison were invidiously labeled with that term by European royalty in the 18th century. He defends the “informal sector,” or in more familiar terms, the black market. In Lima, entrepreneurs operate outside the law in activities ranging all the way from street vending to operating bus lines to building houses and apartment buildings. They do this because they can’t afford to wade through huge tangles of red tape and regulation to become legal. The red tape was put there by existing elites to limit competition and prevent the ascendancy of a *nouveau-riche* class. To the informals, survival is the only real issue.

Even though it is outside the law, Peru’s informal sector has advanced, even to the point of running its own primitive banking, legal and insurance systems. But without legitimacy, its entrepreneurs cannot obtain the capital necessary to create large organizations. Thus, they are not a serious competitive threat to existing state and private oligopolies. Economic development suffers, as it does in many other “less-developed” countries for much the same reason. Public frustration sows the seeds for Marxist revolution, which, of course, only erects new barriers.

Latin American social and political structures have evolved out of authoritarian origins. The U.S. was luckier. Its early settlers developed habits of independence, embraced the populist and democratic philosophies that were welling up against the monarchies of Europe and, ultimately, broke their ties with Europe’s elites through armed revolution. Economic rights were accorded constitutional status. When Americans began to build large, ambitious enterprises, little stood in their way. The end product was the most powerful national economy the world has ever seen.

But one only has to look at the legal problems small businesses in the U.S. face today—federal regulations, liability suits, tax-code complexities and government protections and subsidies to politically effective interests—to see that Mr. de Soto’s message has meaning outside Latin America, too. Much sand has been thrown into the American economic machinery in the past 15 years. Its disappointing performance in the 1970s raised discontents not unlike those

## Business World

By George Melloan

in Peru. Some American business leaders are not above alliances with politicians, under the guise of “industrial policy” or some other euphemism, to smother competition.

Hernando de Soto first outlined his theories to me four years ago at a beach restaurant lit by torches flickering in the Pacific breezes that blow in toward Lima in the evenings. His grass-roots approach to economics was refreshing. Hernando is himself a member of the Peruvian elite, the son of a one-time secretary to the president and later ambassador. He studied in Peru and Europe, winning a master’s degree in international law and economics in Geneva.

After a sojourn in Europe he returned to Peru to start a mining concern and renew a longstanding interest in social and economic problems. In 1979, he created a sensation by inviting 20 street vendors to a symposium on “Democracy and the Market Economy”

attended by local dignitaries and prominent European intellectuals, among them Nobel Prize winner Friedrich A. von Hayek and Jean-Francois Revel. Who better understood economics than street vendors? The vendors were grateful that someone was finally asking what it was like to scramble for a living in Peru.

Shortly thereafter, Mr. de Soto formed the Institute for Liberty and Democracy, known as the IDS, to delve into the workings of the informal sector in search of clues as to why bustling Lima is so bereft of more advanced forms of economic development. His institute deployed college students to go out and learn what the informal sector was up against. Among the findings: These well-educated youths were forced to spend 289 days filling out forms and meeting other requirements just to start a small clothing factory. They received 24 bribe solicitations. Setting up a public-transport company cost them 1,000 days. It became easy to see why there were so few legal enterprises in Peru.

Mr. de Soto has become something of a folk hero to the informals. Indeed, some of his Marxist detractors refer to him wryly as the patron saint of the entrepreneurial class. Recently, for example, 300,000 informal transport drivers got up the money to put a full-page ad in *El Comercio*, a Lima newspaper, with the headline “*El Sendero de 300 mil Choferes*.” Citing the research of Mr. de Soto’s institute, the ad demanded a reformed national transport policy. Hernando also is attracting attention to the North. The Institute for Contemporary Studies in San Francisco, with the aid of federal and private grants, has just established a new “International Center for

Economic Growth,” headed by Nicolas Ardito-Barletta, former president of Panama. It will support think tanks throughout the developing world, encouraging them along lines similar to those developed by Peru’s IDS.

Mr. de Soto has remarked in his book that the majority of society in less-developed countries is not “working class” in the Marxist sense, but rather entrepreneurial and “bourgeois” in its interests and world view. “Thus, any socialist revolution that claims to be ‘proletarian’ will always represent a dictatorship of a minority of the society over the majority.” He goes on to say that the attempt to redefine informals as “proletarians” irrespective of their entrepreneurial functions itself “undermines Marxist theory and has been the subject of many bitter polemics within Marxist circles . . . all the polemics have accomplished is to confirm that Marxism has always been a creed of intellectuals who are able to manipulate abstract concepts as necessary for the sake of gaining and holding political power.

“Political ideologies, although they operate largely in the realm of values and are thus resistant to empirical falsification, cannot survive for long if they clash continually and fundamentally with lived experience.”

There is a profound message in that last sentence, and not only for Marxists who profess liberation of the workers and then proceed to enslave them. Capitalists who profess free enterprise and then call on government to limit competition have a credibility problem too. Mr. de Soto’s revolution cuts several different ways.

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March 18, 1987