

Rafe's Round-Up

Hernando de Soto, 'What's Wrong with Latin American Economies? Elections without

democracy, regulations without law, a private sector without capitalism', *Reason*, October 1989.

Hernando de Soto is president of the Instituto Libertad y Democracia in Lima (Peru) and the author of an important book *The Other Path: The Invisible Revolution in the Third World*.

Only about 5 per cent of Peruvians belong to labour unions and more than 60 per cent are operating as entrepreneurs in the informal or black economy. Informal operators do not regard themselves as either the private or the public sector because they see the former as the beneficiary of privileges handed out by the latter.

The costs of entry into the legitimate private sector are prohibitive. Researchers in Lima took 289 days to register a small garment firm (it took four hours in New York City). Land titles are very hard to obtain, so people are unwilling to build anything substantial for fear of having it expropriated or claimed by tenants when titles are handed out. In the absence of land titles and other property rights, mortgage finance is practically unavailable.

The government makes 27 000 rules per annum. Bribery and the quest for favours are rampant; general managers in Lima spend 45 per cent of their time involved in politics of some kind. Practically all entrepreneurs in the formal private, including those whose businesses are in the provinces, have to live in Lima, the political centre.

Latin America is still in a mercantilist period: only those with access to political power can legally do business. Practically none of the institutions required to sustain democratic capitalism has evolved. The great problem is to find Western democrats with enough understanding of the spontaneously evolved systems that sustain democratic capitalism to provide useful ideas for the Third World.

Sydney Hook, 'Civilization and its Malcontents', *National Review*, 13 October 1989.

Serious moves are under way to politicise the study of the humanities in the United States. These tendencies are reflected in the social studies texts proposed by some education reformers. Traditional texts are to be replaced or supplemented with books composed by women, coloured people and other representatives of the 'oppressed classes'. Special courses will be provided by members of these disadvantaged groups. This amounts to a massive program of historical revisionism and cultural affirmative action.

Hook points out that these plans are based on

major errors of fact. Against the claim that the mainstream of traditional culture stifles alternative and dissenting views, Hook notes that 'Western culture has been the most critical of itself, that 'its history has largely been a succession of heresies', and that 'it has been freer of the blind spots of ethnocentrism than any other'. Against the view that Western culture exploits colonial cultures, Hook reminds us that many leaders of Third World countries learned their liberationist ideologies from liberal humanities courses in Paris and London.

The debate hinges on a blatant extension of the term 'political' to include any difference of opinion whatever. Consequently, people who suggest that history and literature texts do not need to be studied as essentially political documents are accused of covering up their own political interests in the status quo. Hook identifies this as a part of a sinister tendency to politicise the truth itself, as though truth were decided by power and influence. Unfortunately, corrective action will need to have a political dimension the radical reformers have successfully captured positions of political power and influence.

Michael Novak, 'Boredom, Virtue and Democratic Capitalism', *Commentary*, September 1989.

Novak criticises Francis Fukayama's 'end of history' thesis, which says that the end of the cold war and the triumph of liberal democracy will usher in a period of boredom and nostalgia. This judgment on the 'spiritual deficiency' of democratic capitalism springs from a 'horrific' category mistake. Democratic capitalism is not a church, a philosophy or a way of life; rather, it promises three liberations: from tyranny and torture; from the oppression of conscience, information and ideas; and from poverty.

The resulting social order provides space 'within which the soul may make its own choices, and within which spiritual leaders and spiritual associations may do their own necessary and creative work'. Democratic capitalism has done rather well on the score of promoting spiritual and cultural life, in contrast with Fascism and Communism, both of which aspired to cater for higher human needs.

Novak identifies several valuable moral traditions that were called forth by democratic capitalist institutions in the early American colonies. These include civic responsibility, personal economic enterprise, creativity and a certain kind of communitarian living embodied in a myriad of voluntary associations. On a more sombre note, he reminds us that capitalism depends on a moral framework that is under threat from relativism in the intellectual realm and from social engineers in the political and social arena. 'It would only take a generation of citizens who have forgotten their founding principles and all the lessons of experience to set in motion a precipitous and calamitous slide'.

Rafe Champion.