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Authority State 8-10-76
By RJ, NARS, Date 9-14-76

1. IN LONG TALK WEDNESDAYAFTERNOON, WALTHER MOREIRA SALLES CONFIRMED FACT OF SERPA'S INTIMACY WITH GOULART AND ENDORSED DESIRABILITY OF TYPES OF ACTION SET FORTH REFTELS. HE CONSIDERS SERPA DEFINITELY A MODERATE AND CONSTRUCTIVE INFLUENCE ON GOULART, EASILY THE BEST OF THE CURRENT INTIMATE CIRCLE.

2. WALTHER IS DEEPLY PREOCCUPIED WITH POLITICAL DEVELOPMENTS AND THEIR ECONOMIC CONSEQUENCES, SEEING INVESTMENT DRYING UP, INFLATION ACCELERATING, UNEMPLOYMENT GROWING, AND GOVERNMENT ACTING ONLY TO ANTAGONIZE PRIVATE BUSINESS BOTH FOREIGN AND DOMESTIC. HE IS DISINCLINED TO BELIEVE GOULART WOULD PUT BRIZOLA IN FINANCE MINISTRY, CONSIDETING THE GOSSIP ON THIS A MANEUVER TO FRIGHTEN PSD AND PERHAPS GET SOMETHING OUT OF CONGRESS. BUT HE SHARES COMMON CONTEMPORARY VIEW OF ISOLATED AND DEPRESSED PSYCHOLOGY OF GOULART, AND INCREASING DIFFICULTY OF FINDING SOME CONSTRUCTIVE WAY OUT FOR HIM. HE SUMMARIZES POLITICAL SITUATION BY SAYING THAT CIRCUMSTANCES PERMIT NEITHER A COUP AGAINST GOULART NOR A COONTER-COUP BY HIM, BUT HE FEARS GRADUAL SLIDE INTO SOME FORM OF LEFTIST AUTHORITARIANISM BY STAGES WHICH WOULD EACH HA E PLAUSIBLE LEGAL JUSTIFICATION ALTHOUGH TOTAL EFFECT WOULD BE DISASTROUS. BELIEVES IT MOST IMPORTANT TO GIVE GOULART SOME SENSE OF MORE CONSTRUCTIVE ALTERNATIVE COURSE OF CTION.

3. WHEN HE LEFT ME, WALTHER WAS ON WAY TO SEE GOULART TO GIVE HIM SOME SPECIFIC SUGGESTIONS ON LIBERALIZATION DRAFT PROFITS REMITTANCE REGULATIONS. THUSDAY MORNING HE TELEPHONED TO SAY GUARDEDLY THAT AFTTER LONG TALK WITH GOULART, HE BELIEVES EXCHANGE OF LETTERS WITH PRESIDENT JOHNSON SHOULD BE ENCOURAGED SOONEST. WE MADE LUNCHEON DATE FRIDAY FOR ME TO SECURE FULLER DETAILS.

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GP-3. GORDON

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