

In South America: Mendacity versus Perspicacity

I write as a follow-up to our South America trip. For a terrific summary of the Argentina-Uruguay experience, we offer the "[Weekly Economic Update](#)" from Michael Drury, GIC chairman and chief economist at MacVean. The report is available here: <http://www.cumber.com/pdf/EU05-13-2016.pdf>. We thank Michael for permission to link to his commentary.

Meanwhile, the former president of Argentina is [now facing criminal charges](#). (See <http://dw.com/en/ex-argentine-president-cristina-fernandez-charged-with-defrauding-the-state/a-19257386>.)

And the former president of Brazil is facing her own versions of [corruption charges](#) and [political retribution](#). (See an overview of the charges which occasioned her suspension at <http://www.nytimes.com/2016/05/13/world/americas/questions-and-answers-dilma-rousseff-impeachment-brazil.html> and possible political motives behind those charges <http://www.nytimes.com/2016/05/24/world/americas/brazil-dilma-rousseff-impeachment-petrobras.html>.) With the Summer Olympics looming, Brazil faces not only a presidential crisis but the world's pointed worries over the Zika virus, though the World Health Organization has just nixed requests to move the Games: <http://world.einnews.com/article/328341819/dgaMgwl40Tly7hvN>.

In Venezuela, a tyrant continues to govern while the overwhelming majority of his citizens suffer or are suppressed or actually disappear. For the latest on Venezuela, see <http://www.nytimes.com/2016/05/28/world/americas/venezuela-economic-government-collapse.html>. For the desperation of Venezuela, which now is selling its holdings of gold to raise cash, see <http://www.oilandgas360.com/venezuela-selling-gold-collapse-ne>

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We characterize the South American disease as the frequently reasserted gravitational pull of mendacity when perspicacity is required instead to power a social, political, and economic liftoff. We ask, can perspicacity prevail over mendacity in South (or Central, for that matter) America? Over a century of history suggests it cannot. Country after country has fallen victim to dictatorship, military coups, a culture of corruption, and governments that oppress. That has been the persistent theme since the first Spanish conquests, Portuguese colonization, French exploitation, and subsequent independence. Heroic figures like Simón Bolívar and José de San Martín attempted liberation but failed to create a sustainable model. They did help create national identities for countries and regions that now bear their names. They sponsored perspicacity.

Contrast them with Allende, Peron, or Chavez, some of the many examples of mendacity. Ex-presidents like Argentina's Cristina Kirchner and Brazil's Dilma Rousseff join Venezuela's Maduro in the lengthening list of failures that were or are mendacious.

So a very important question now faces this continent. Can the most recent examples of political change in Brazil and Argentina become a newer model for transition? Both are happening without a military coup. Both are underway in a form of democracy. Voters are prevailing, so far, over guns. Not so in Venezuela, but that outcome is still undecided. In Chile, the regime changes after Pinochet have been democratic and peaceful. In Colombia, there is economic growth and openness. That country has become a tourist destination. I can recall a time when I landed in Bogotá and the worry was a guerilla-army gunfight near the airport. Things have changed in Colombia. Will the transformation be sustained?

Maybe, just maybe, the introduction of social media and

interconnectedness and instant information is working. Maybe, just maybe, voters can overpower guns. We shall see as the situation in Venezuela worsens daily and the ultimate test of a regime change occurs.

If there is a change that redirects the historical record from mendacity to perspicacity, then there is a possible strong and bullish outcome for the entire continent. Argentina can be a litmus test as the newly elected Macri regime attempts to correct the damage done by its predecessor. Venezuela's overthrow of Maduro and expansion of democracy would add to a positive continental outlook.

Meanwhile, investors can find values in South America. The more dollarized the economies there, the more stable they are and the more potential they have. Uruguay is an example in the Mercosur group, which comprises Argentina, Brazil, Paraguay, Uruguay and Venezuela. Costa Rica is also a case study of success, in Central America.

Maybe, perspicacity can prevail in this 21st century. Stay tuned. After 16 visits over 20 years, we now await success for perspicacity in Argentina.

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