

## ECONOMIC

By: Tom Landstreet

# Latin America, Ripe for Growth and Investment

As the smoke clears at the Maduro residence in Venezuela, it's time to acknowledge the dramatic political and economic shift already taking place across Latin America. Unlike regime change in Venezuela, this regime change is organic, driven by voters and represents a generational opportunity for investors. It will also be a teaching moment for skeptics of free market capitalism.

It would be easy to dismiss the recent dalliance with "liberalism" as transitory, but this has been developing over decades. Note: The mainstream press in Latin America refers to what we call "conservatives" – those advocating for free markets – as "liberals". The shift away from state-controlled socialism began in 1973 with an armed coup in Chile.

That is when Augusto Pinochet, an army officer, stormed the Chilean presidential palace and took power from socialist Salvador Allende by gunpoint. He then began a series of free market reforms with the assistance of a group of economists who were educated at the University of Chicago (the "Chicago Boys"), known for its free market-oriented economics department. Milton Friedman was a Chicago Boy as is my old boss, Arthur Laffer. Pinochet is the only man in history to take power in an armed coup and give it back to the people in a series of reforms spanning over a decade.

Pinochet saved the country from bankruptcy by cutting government spending, liberalizing trade, privatizing state-owned companies, and creating a system for individual retirement accounts. Then he followed up on a promise to essentially stand for reelection, lost and stepped down. The result: Chile has long been the richest country in Latin America based on per capita income. Last month, Chile elected another free market leader, José Antonio Kast, who vows to cut taxes, tariffs, government spending and

industries, sold off government-owned enterprises, enacted free trade and stabilized the currency. And though Fujimori was run out of office a decade later, his reforms remain in place today. Peru remains a relatively liberal economy loaded with natural resources like silver, gold and nickel.

More recently, Argentina has taken a decided turn towards liberalism, though in fits and starts, commencing when Mauricio Macri was elected president in 2015. The stock market loved Macri's reforms, rising 120% in the two years following his election, but the citizens – not so much.

Macri moved too cautiously, making important strides, but not of the type that improved economic conditions on the ground, and he served just one term. His successor, Alberto Fernández, returned to the old socialist playbook. Inflation launched ever higher, taking the poverty level up with it. Voters were quickly reminded of why they wanted a change in leadership. The stage was set for a true reformer.

Javier Milei, a libertarian with a Ph.D. in economics, was swept into power in 2023, and unlike Macri, he moved quickly and decisively. On his first day, he cut the number of government ministries in half and fired tens of thousands of government employees. He eliminated generous subsidies to individuals and corporations and is deregulating large swaths of the economy. He cut import and export tariffs and cut a variety of tax rates on corporations. Inflation, which was trending at 165% year over year when he took office, is now (only) 25% and declining. Argentina was the sick man on the continent, and it appears on its way to a healthy recovery.

Argentina's stock market doubled in value as the country's GDP growth rate recently surpassed 5%. Argentina is a large

as well. Though the country is much smaller in size, it is chock full of natural resources like the others.

The largest country on the continent, Brazil, has experienced a similar pattern. In 2019, they elected a center-right reformer, Jair Bolsonaro, who, after a few liberal reforms, moved too cautiously and got ground up by Brazil's notorious political establishment. With an election scheduled for October 2026, the country is in play, as socialist Luiz Inácio Lula da Silva has a modest lead over liberal São Paulo Governor Tarcísio de Freitas.

To summarize, Latin America has moved decisively towards liberal governance and free market capitalism over a long period of time, and it appears to be gaining steam. Milei's bold and sometimes painful reforms have shown favorable results both economically and politically. His coattails could move the continent further.

Rich in critical minerals, from rare earths to gold, silver, copper, nickel, oil and gas, Latin America has what the modern global economy needs. The two global superpowers, the U.S. and China, are in an arms race for AI dominance, and the free trade world order has broken down. The value of Latin America's resources will continue to rise while their companies trade at modest multiples.

Finally, I have written in these pages about the U.S. debt crisis, suggesting that inflation and currency devaluation is the only way out. Emerging market currencies benefit from a falling dollar, as do the prices of commodities. All in all, the Latin American continent has numerous tailwinds for investors. And these days, investors have a wide range of single-stock ADRs and liquid ETFs to choose from to gain exposure.

### About the Author



Tom Landstreet is a founding partner of

taxes, tariffs, government spending and regulations governing the mining sector (Chile is the largest copper producer in the world).

Chile was the only liberal economy on the continent until Alberto Fujimori was elected president of Peru in 1990. Fujimori quickly implemented what was called the “Fujishock” treatment. He deregulated

surpassed 5%. Argentina is a large country loaded with natural resources, including one of the largest shale oil and gas deposits in the world. It remains to be seen if Milei can win a second term, but the odds look good after his new political party won big in the recent legislative midterm elections.

Bolivia has now elected a liberal president



founding partner of Trusco Investment Management, a private wealth manager working with high-net-worth individuals and foundations. He can be reached at [tlandstreet@trusco.com](mailto:tlandstreet@trusco.com) or 615-271-4481.

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