

Latin America Looks at West's Fiscal Crises, and Sees Its Own Past



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A subway station in São Paulo, Brazil, which has a thriving financial sector. Some analysts see the situation in the West as "Latin America, circa 1985."

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RIO DE JANEIRO — Sometimes it comes in the form of a news dispatch, like the item from Milan explaining how [Italians fret](#) about "the spread," a term used to refer to the gap between their high borrowing costs and the lower interest rates for Germany.

The angst has included protests in Spain, images of rioters in London or the police using pepper spray to disperse demonstrators in California.

And, of course, there is the steady drip of reports focusing on default fears in Greece.

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For many months now, Latin Americans have been monitoring the constant drumbeat of crises in developed countries with bewilderment, irony and, yes, even a bit of schadenfreude. To them, Europe and the United States are displaying problems once associated with their region, which, not long ago, was a perennial champion in financial crises and bailouts.

"The mood on the streets of Paris is depressing, with people clearly worried about the future," said Maria Cristina Terra, a Brazilian economist who moved to France four years ago and was back here this month to conduct research. "It's a shock to all of us who saw Europe as solid and prosperous, but the contrast with [Brazil](#) is immense."

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In 2011, Latin America's unemployment rate fell to a [21-year low](#) of 6.8 percent, compared with 8.5 percent in the United States and nearly 10 percent in Europe. While economic growth has slowed in some countries, it is still booming in others. Panama, whose canal is choked to capacity, registered economic growth of 10.5 percent in the first nine months of 2011. Argentina's economy expanded 9.3 percent in the third quarter.

Nowhere is the new mood more evident than in Brazil, which recently passed Britain as the world's sixth-largest economy. Despite some recent economic weakness, Brazil's unemployment rate is at a historic low of 4.7 percent. *Veja*, a leading newsmagazine, celebrated in a cover story this month the creation of new millionaires at a rate of 19 a day. By some measures, São Paulo's financial sector is the envy of Wall Street: The market value of one bank, Itaú, now [exceeds those of Goldman Sachs and Morgan Stanley](#) combined.

All of this is still hard for some people in Brazil to absorb. But these days, so many increasingly affluent Brazilians are traveling abroad that they see the contrasts with their own eyes.

"I was in Zuccotti Park, and it felt like Latin America, circa 1985," said Matias Spektor, a professor at Fundação Getulio Vargas, a university here, referring to the New York City park that became the site of Occupy Wall Street before the police cleared protesters in November.

"The general climate of dissent, the mistrust toward the upper classes and governing classes — these aren't things we normally associate with the United States," he said.

Brazil, of course, used to be more accustomed to receiving lectures from Washington about its inequalities than seeing Americans take aim at the yawning gap between the rich and the middle class in the United States.

Brazil was so crisis-prone that average people still exhibit extraordinary knowledge about financial markets, like the spreads furrowing brows in Italy. Many here [noted with satisfaction](#) that "Brazil Risk," the cost of protecting the country's debt against nonpayment, dipped below that of the United States last year.

Some in Brazil warn against such triumphalism. Brazil still has glaring [income inequality](#), and while it tripled its per capita income over the past decade to about \$12,500, some of that increase had to do with its overvalued currency. If history holds any lessons, the prices for the commodities exported by Brazil and other Latin American countries cannot remain so high forever.

But the recent emergence of millions of people from dire poverty, not only in Brazil but also in neighboring countries, is encouraging some in Latin America to hit back at those who used to dispense advice to the region so freely.

Moisés Naím recently described how the anxiety he had witnessed on a trip to Brussels reminded him of the early 1990s, when he was the Venezuelan planning minister trying to overcome the kind of economic quagmire that plagued many Latin American countries for [much of the 1980s and 1990s](#).

"Let's hope Europe can handle its crisis as the new Latin America learned to do," Mr. Naím said, citing the transformations in Brazil, Chile and Colombia. "In this sense, a little Latin Americanization of Europe is a desirable thing."

Not everyone is as enthusiastic about Latin America's prescriptions, including the trade [protectionism](#) that still pervades in a number of big economies.

Still, some observers see parallels between the polarization of politics in the United States



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today and the situation in certain Latin American countries in the 1960s, when the political classes failed to arrive at compromises, allowing one crisis to develop after another.

Patricio Navia, a Chilean political scientist at New York University, said the debt-ceiling debate in Washington showed how ideological battles could lead to a more lasting political tension.

"When you play with fire, you get a fire," said.

Views of the developed world's troubles vary widely in the hemisphere, as do conditions from country to country.

While Brazil now flexes its economic muscle, not every neighbor shares its surplus of optimism. For a less starry-eyed impression, consider Argentina, a century ago [one of the world's richest countries](#).

A long series of crises changed that, and Argentina experienced a frightening financial collapse just a decade ago. Since then, thanks partly to soaring commodities prices, economic growth has outstripped even that of neighboring Chile, whose market-friendly policies are often held up as a model.

Citing Argentina's robust recovery after defaulting on its debts, some experts say Argentina provides a hopeful example for Greece and other struggling European countries.

But others say Argentina may provide an even better example of how countries can learn to live with the idea that their best days may be behind them.

"Argentina is the dean of the club of nations utterly obsessed with their decline," Gabriel Sáez, an Argentine scholar, wrote in an essay on how the United States could "[decline in style](#)" as Argentina did.

"So it is our distinct pleasure to welcome the United States to our dour fraternity," Mr. Sáez added, enumerating the advantages of angst-ridden fatalism, at least for booksellers, psychoanalysts and political analysts. "Go ahead and take your place, there, alongside France."

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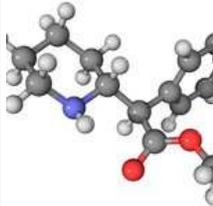


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