



Neo-Liberals' Dismissal of Latin Americans as "Idiots"



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Alvaro Vargas Llosa (AVL) co-authored the Guide to the Perfect Latin American Idiot with two other journalists. He revisited the subject with an article in 2007 entitled "The Return of the Idiot."

"The 'Idiot' species, we suggested, bore responsibility for Latin America's underdevelopment. Its beliefs -- revolution, economic nationalism, hatred of the United States, faith in the government as an agent of social justice, a passion for strongman rule over the rule of law -- derived, in our opinion, from an inferiority complex. In the late 1990s, it seemed as if the Idiot were finally retreating. But the retreat was short lived. Today, the species is back in force in the form of populist heads of state who are reenacting the failed policies of the past, opinion leaders from around the world who are lending new credence to them, and supporters who are giving new life to ideas that seemed extinct."

http://www.foreignpolicy.com/articles/2007/04/18/the_return_of_the_idiot...

The American writer P.J. O'Rourke recently echoed those themes.

"Redistributionist political ideologies, in decline since the fall of the Soviet bloc, are on the rise again. Will you [President Obama] help the neo-Marxists of Latin America redistribute stupidity to their continent?"

<http://online.wsj.com/article/SB1000142412788732466040457819936352744100...>

AVL derides young Latin Americans as idiots, claiming that "they suppress the notion that predation and vindictiveness are wrong." That claim fails because stopping "predation and vindictiveness" is what drives young Latin American progressives. The authors insult young Latin Americans as "idiots" who embrace "stupidity" because of their "deficient egos."

Unsurprisingly, the Vargas-Llosa clan's journalists choose to live outside Latin America where they can avoid the Latin Americans they loathe. They prefer to come only at the

invitation of the oligarchs. The remarkable fact is that they consider Latin Americans' overwhelming rejection of their embrace of the predatory oligarchs to be proof that their contempt for the peoples of Latin America is warranted.

AVL dismisses any consideration of the interests of the indigenous peoples of Latin America. Any American or European who disagrees with AVL's claim that Latin Americans are "idiots" is guilty of "intellectual treason."

AVL claims that populism inevitably fails and explains Latin America's economic failures.

"The legacy of these policies is clear: Nearly half the population of Latin America is poor, with more than 1 in 5 living on \$2 or less per day. And 1 to 2 million migrants flock to the United States and Europe every year in search of a better life."

AVL has given us the ruler by which he says we must judge the success of leaders. Changes in poverty and emigration rates are the standard.

AVL divides Latin American leaders and citizens who he opposes (the majority of Latin Americans) into "vegetarians" (Brazil, Uruguay, and Costa Rica) and "carnivores." His hate and contempt for those he labels carnivores consumes him.

"By contrast, the 'carnivorous' left is represented by Fidel Castro, Hugo Chávez, Evo Morales, and Ecuador's President Rafael Correa. They cling to a Marxist view of society and a Cold War mentality that separates North from South, and they seek to exploit ethnic tensions, particularly in the Andean region."

AVL claims that the idiocy of most Latin Americans creates a "tension" that blocks the adoption of neo-liberal economic ideologies that are transforming the world. Recall that he was writing in mid-April 2007 – when many of the economies he was praising were already catastrophic failures – but were clueless that they were already doomed.

"Despite some progress in recent years, this tension is holding back Latin America's development in comparison to other regions of the world -- such as East Asia, the Iberian Peninsula, or Central Europe -- that not long ago were examples of backwardness. Latin America's annual GDP growth has averaged 2.8 percent in the past three decades -- against Southeast Asia's 5.5 percent, or the world average of 3.6 percent."

What European countries did the neo-liberals single out for special praise? The Cato Institute, as late as 2007, was singing the praises of Iceland and Ireland. They had both switched from having heavy government involvement in the economy to extreme neo-liberal policies.

In August 2007, a Cato publication claimed:

"Iceland's economic renaissance is an impressive story. Supply-side reforms'—ie tax cuts—'along with policies, such as privatisation and deregulation, have yielded predictable results;

Incomes are rising, unemployment is almost non-existent, and the government is collecting more revenue from a larger tax base.”

<http://www.cato.org/sites/cato.org/files/articles/mitchell-iceland.pdf>

On March 16, 2007 – a year after the Irish property bubbles collapsed – the neo-liberal experts cited Ireland as the example of the success of their policies.

“Ireland [...] boasts the fourth highest gross domestic product per capita in the world. In the mid-1980s, Ireland was a backwater with an average income level 30% below that of the European Union. Today, Irish incomes are 40% above the EU average. Was this dramatic change the luck of the Irish? Not at all. It resulted from a series of hard-headed decisions that shifted Ireland from big government stagnation to free market growth.”

<http://www.cato.org/publications/commentary/its-not-luck>

The Icelandic and Irish economic “miracles” of the last decade proved to be the product of large scale “accounting control frauds” that hyper-inflated bubbles and produced catastrophic crises and deep recessions despite international aid.

AVL gave special praise to the nations of central Europe and the Iberian Peninsula. What did the move of these nations to the far more extreme neo-liberal economic policies championed by AVL and his father in the last decade produce? Recall that AVL and his father should be more familiar with the Iberian economies than any other in the world.

Unemployment in Spain is 25%, with youth/young adult unemployment at 55.9%.

<http://www.tradingeconomics.com/spain/unemployment-rate>

<http://www.theatlantic.com/business/archive/2011/12/why-is-unemployment-...>

Portugal's unemployment rate is 15.8%, and the unemployment rate for youth/young adult is 39.1%. Portuguese and Spanish unemployment are at record highs and have been increasing rapidly.

<http://www.tradingeconomics.com/portugal/unemployment-rate>

Spain, Portugal, and Ireland are triple-victims of neo-liberal economic dogmas. Their crises were caused by neo-liberal financial policies and then greatly compounded by the neo-liberal dogma of inflicting austerity on nations in recession and the inept neo-liberal design of the euro. Austerity in response to a recession is the economic analog to the once common medical malpractice of bleeding a patient.

Overall, Latin America's economic performance has become far superior to the Eurozone.

“Latin America's economies are growing at a rate of more than 3 per cent, while those of Spain and Portugal are expected to shrink by 1.5 and 3 per cent, respectively, this year.

Latin America's unemployment rate is 6.5 per cent, while Spain's and Portugal's have soared to 25 and 16 per cent, respectively.”

<http://en.europeonline-magazine.eu/lead-latin-american-european-leaders-...>

Ecuador's performance

I described Ecuador's economic success under President Correa in several prior columns.

"The most recent figure I found for Ecuadorian unemployment in 2012 was 4.6%. The most recent figure for unemployment of those 15-24 years old is from 2009 when it was 14.1%. In 2009, the overall unemployment rate was 7.3%, so it is likely that unemployment of those 15-24 years old has fallen materially. These are remarkable results, but it is astounding that a nation that was synonymous with severe emigration attained a negative emigration balance no later than 2009 (I do not have data for when the rate first turned negative) and has maintained it for several years. That means that more people move to Ecuador than leave it. Ecuador now ranks a spectacular 137 compared to other nations in this category. [My source for migration data is the CIA World Fact book – a delicious irony given the CIA's dim view of Correa.]"

Net migration rate:

-0.39 migrant(s)/1,000 population (2012 est.)

country comparison to the world: 137

<http://neweconomicperspectives.org/2012/12/the-miraculous-turnaround-in-...>

The article shows that Ireland and Italy now have very high emigration rates (respectively, the 43rd and 22nd worst in the world). The CIA World Fact book shows that Spain and Portugal have, respectively, the 19th and 28th worst emigration rates in the world.

Conclusion

We have run what economists refer to as a “natural experiment.” At the same time that Latin Americans were overwhelmingly rejecting key neo-liberal aspects of the Washington Consensus the Eurozone and the United States moved rapidly in the opposite direction by adopting ever more extreme neo-liberal dogmas. These dogmas created what criminologists refer to as a criminogenic environment – an environment where the incentives are so perverse that they can produce epidemics of “control fraud.” These fraud epidemics directly drove the financial crises in the United States, the United Kingdom, Ireland, and Iceland and indirectly triggered crises by causing global systemic shocks. AVL does not wish to discuss the predation by the world's most elite bankers.

The loss of the young (through emigration), employment, output, income, and wealth and the growth of poverty and inequality that resulted from the most extreme neo-liberal policies are staggering. In the U.S., over 10 million Americans lost their jobs or could not obtain jobs that

would have been produced by a healthy economy. Spanish unemployment is nearly 5 million. The crisis is so great that it is now common for Irish and Italian citizens to emigrate as soon as they earn their university degrees. The Financial Crisis Inquiry Commission reported that the loss of U.S. wealth in the household sector alone was estimated at over \$12 trillion – a trillion is a thousand billion.

More recent studies have demonstrated the scope of the losses.

“The average American family's net worth dropped almost 40% between 2007 and 2010, according to a triennial study released Monday by the Federal Reserve.

The stunning drop in median net worth -- from \$126,400 in 2007 to \$77,300 in 2010 -- indicates that the recession wiped away 18 years of savings and investment by families.

Making matters worse, income levels also fell during the tumultuous three-year period, with median pre-tax income falling 7.7% as earnings from capital gains all but disappeared.”

<http://money.cnn.com/2012/06/11/news/economy/fed-family-net-worth/index.htm>

In all of this, Ecuador under President Correa has been a beacon of hope and success. Ecuadorians are “voting with their feet” to stay in or return to Ecuador. The one thing that AVL and his famous father will never forgive Correa for is his success. It is easy to dismiss those who disagree with you when they fail, but Correa has succeeded under the standards that AVL wrote in 2007 should be used to measure economic success. It is the countries and neo-liberal policies that AVL and his father praised that blew up the world's economy and harmed nations like Ecuador. It is Colombia and Mexico, nations that AVL and his father praise as the models for Latin America, which are experiencing significant emigration.

AVL and his father could have responded to Ecuador's gains in economics, political stability, and migration and the enormous support that polls find for Correa among Ecuadorians by praising Correa for his achievements in the factors that AVL said should be used to judge the success of Latin American leaders. Instead, they sought to do everything they could to defeat Correa. Failing that, they denounce Latin Americans as “idiots” because they support Correa's successful policies and reject the failed neo-liberal dogmas that blew up the global economy. It is unclear to me why Ecuadorians' support for successful policies and rejection of disastrous policies constitutes “idiocy” or “stupidity.”

AVL's and his father's support for the predatory oligarchs of Latin America and their increasing willingness to ignore their murderous assaults on the people of Latin America during the dirty wars demonstrates that they have become what they denounce. They are the European intellectuals who now whitewash inconvenient facts about the oligarchs out of their polemics in order to blame the “idiocy” of the peoples of Latin America for all the ills of Latin America. Latin Americans, however, are demonstrating their wisdom by rejecting the failed dogmas of those who loathe them and their democratically elected leaders.

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Bill writes a column for Benzinga every Monday. His other academic articles, congressional testimony, and musings about the financial crisis can be found at his [Social Science Research Network author page](#) and at the blog [New Economic Perspectives](#).

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