Oswaldo De Rivero has spent over three decades representing Peru’s interests in various diplomatic positions. The Myth of Development details his frustrations regarding the potential for global poverty eradication in spite of decades-long development efforts by many poor nations. Only four countries (Taiwan, South Korea, Singapore, and Hong Kong) are identified as having made the transition from poor to industrialized during the past century, though many countries have followed theoretical counsel in hopes of progress. Given this record, De Rivero takes issue with the term “developing country” when he sees the economies as stagnant, and suggests alternatives, such as NNE (non-viable national economy) and UCE (ungovernable chaotic entity).

Factors identified as contributing to the stagnant poverty of countries include the “unstoppable process” of globalization that is “beyond human control” and advances in technology that reduce the amount of resources necessary per unit of output. Globalization is viewed as a means for transnational corporations to make “inroads into the sovereignty of nation states,” lessening the national capitalism which was basic to the progress of the industrialized countries. Improvements in telecommunications technology also have diminished the sovereignty of nation states. This and other technological advances have reduced the amount of raw material needed per
unit of output. Instead of hailing the more efficient use of the world's limited resources, the increased efficiency is blamed for increasing unemployment problems which are exaggerated in less-skilled populations of workers. As transnational corporations become more influential players in the world economy, De Rivero states that economic progress seems to be associated with a “law of diminishing returns to national power” with transnational companies as the new aristocracy.

Increasing materialism is noted as an additional cause for the lack of economic progress in poor countries. The prosperous, who seek instant gratification, are not willing to forego current consumption necessary for heavy investment in poor countries. Those in poverty do not have the buying power to influence the decisions of the increasingly powerful transnational corporations. Thus, the corporations cater to the prosperous in both industrialized and developing countries. This puts the transnational corporations into the position of “increasing world power, whereas, paradoxically, they assume no international responsibilities.” Power is becoming concentrated in those who are not accountable to the citizens of any country. The newly powerful include heads of transnational firms and leaders of organizations such as the International Monetary Fund and the World Bank. The large transnational corporations are said to have “no nationality” though they do have national origin and global interests.

In describing the myth of development, De Rivero writes of the gap between theory and reality with respect to the economic concepts of comparative advantage and perfect competition. He laments that fact that efforts to focus on comparative advantages have not attracted transnational investments into poor countries, as he claims they should have according to theory. However, the theory of comparative advantage does not deal with the attraction of transnational investment, and may
even discourage it. For example, if a country has a comparative advantage in production of a labor-intensive product, such as hand embroidered table cloths, there is little reason to expect such specialization to serve as a stimulus for foreign investment to come into the country. If a transnational company had a particular interest in the production of hand embroidered tablecloths, it might invest in this country, but there is no reason to expect high or increased levels of international investment. The theory of comparative advantage simply states that the greatest gain from trade is available to those countries that specialize in the production of goods for which they have a comparative advantage in production.

With respect to the theoretical benefits of perfect competition, De Rivero complains that theory implies the greatest gains are available only when perfect competition prevails in markets with minimal government intervention. It is clear that no country has come close to meeting the theoretical requisites for perfect competition, and so it seems harsh to condemn the theory when imperfectly competitive activity does not produce results consistent with perfectly competitive market theory. De Rivero notes that government strategic initiatives were coupled with market activity to foster the rapid growth of the four newly industrializing countries of the twentieth century.

Scientific and technological backwardness is another challenge to economic progress addressed by De Rivero. Much of the economic prosperity of industrialized nations can be attributed to scientific and technological leadership. With few scientists and researchers and growing international support for intellectual property rights protection, poor countries are not able to develop or borrow technologies that would benefit the poor. De Rivero claims that a major challenge facing these countries is to overcome “their lack of historical and cultural interest in scientific theory and applied science.” He also views the current emphasis on information technology as a blow to growth potential for non-prosperous countries. Instead of national wealth stemming from a nation’s resource endowment,
current trends appears to be one of wealth following information stocks and flows. De Rivero sees this as a negative for poor countries because they currently lack information technologies. Others might see more potential for a country to increase its information base than its resource base because information is highly mobile.

Given these challenges, De Rivero sees a bleak future for the currently poor. He adapts Darwin’s theory of the survival of the fittest species to the economic arena, stating that “only the most predatory economies prevail and reproduce trans-nationally, multiplying their growing returns,” and mutating “towards a more economically fit and powerful species.” He decries the misinterpretation of Adam Smith’s assumption that individuals act in self-interest. Smith intended that self-interest be viewed within the bounds of social propriety rather than as sheer greed.

De Rivero’s final conclusion is that given these insurmountable obstacles, the poorest countries need to give up their quests for development and progress and settle instead on a quest for basic survival with foci on urban population stability and adequate supplies of water, energy and food.

Taken at face value, De Rivero’s message is depressing, offering little hope for alleviation of poverty. However, there are many who might examine the same situations, yet reach far different conclusions.

First, he focuses primarily on macro initiatives and formal sector measures as vehicles for progress. The alternative of small-scale initiatives in the informal sector is ignored.

Second, developing country data is often questionable, and the choice of measurement can skew results. For example, in addressing the challenge of producing enough food for growing populations, De Rivero discusses the additional mouths that must be fed each year by using a birth count, without adjustment for deaths. He speaks of urban migration as a factor contributing to water shortage because water consumed by people in cities is not available for food production. Had the citizens
not migrated, they would have consumed water in the rural area, preventing its use for agriculture. The migration affects agriculture only to the extent that city dwellers consume more water than rural citizens. He presents UN data indicating that real per capita income fell in seventy "so-called developing countries" over the past 20 years as indication that development policies are not working. The UNDP’s Human Development Report 2001 states that “Many more people can enjoy a decent standard of living, with average incomes in developing countries having almost doubled in real terms between 1975 and 1998” (UNDP, 10).

Third, De Rivero tends toward sweeping generalizations and gaps in logic that make arguments appear stronger than they are. For example, the ability to consume is equated to access to credit. De Rivero states that less than one-sixth of the world population is “bankable,” or able to be offered an international credit card. The rest “have no access to international credit and thus cannot take part in the globalization of consumption.” While credit cards do facilitate consumer spending, they certainly are not essential to it. Many who do not have a credit card regularly purchase imported consumer goods or domestically produced output of transnational firms. Another example is the statement that countries who can’t earn enough from exports but have growing urban populations have “no option but to sink further into debt.” Perhaps the most glaring gap is the main fatalistic thrust of the book: that currently poor countries need give up hope of development and settle for survival. Centuries of history have shown ongoing change in the leading economies of the world. Countries who are now far from the most prosperous once were. There is no reason to expect that leadership will now lose its dynamic nature.

Finally, some well-known development issues are not addressed or are given insignificant coverage in the book. Many of the omitted issues are ones that are controlled to a significant degree through domestic rather than foreign means. For example, education and investments in human capital are
hardly mentioned. The impact of the regulatory and tax environment on attraction of foreign investment funds is given minor note. The impact of corruption and law enforcement on the business environment is overlooked.

The Myth of Development is passionate and thought-provoking, but not entirely convincing.

References
