

The MYTH of DEVELOPMENT

NON-VIABLE ECONOMIES AND
THE CRISIS OF CIVILIZATION



OSWALDO DE RIVERO

SECOND EDITION



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Non-Viable Economies and the
Crisis of Civilization

Second edition

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Introduction

Since the Industrial Revolution and the emergence of the modern nation-state in Europe and the United States, more than 194 nation-states have been born, most of them in Latin America, Asia, the Middle East, Africa and Oceania. A type of historical 'law of diminishing returns of the possibilities of national viability' has accompanied this proliferation across the years. In reality, the majority of the nation-states that arose in the nineteenth century, such as those in Latin America, and nearly all the new nation-states formed in the twentieth century, such as the Asian and African countries, over half a century or more later could better be considered as unfinished national projects that do not develop. They are quasi nation-states.

Many African, Asian and Middle Eastern states that emerged in the middle of the twentieth century have not been bogged down in underdevelopment, like the Latin American nations. They did not even experience the prosperity enjoyed by the latter with their world exports of guano, saltpetre, rubber, coffee, sugar, cotton, meat, grains, wool, fishmeal, minerals or petrol. They simply emerged without any national development options, due to the unfortunate coincidence of their independence with a technological revolution that needs less and less of the raw materials and abundant supply of manpower that are their only comparative advantages.

In the majority of industrialized countries, national identity preceded the formation of state authority. The nation, reflected above all in the joint emergence of a middle class and a market of national dimensions, formed the basis of the modern state. In contrast, in most of the so-called developing countries, this sequence was reversed. Political authority – the state – emerged from independence before the nation, that is, before developing a true bourgeoisie and a unifying national capitalist economy. For this reason, the majority of the wrongly termed 'developing countries' are

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children of their enthusiasm for freedom, but not the offspring of middle-class prosperity and scientific and technological progress. It has not been possible to replicate the developed, capitalist and democratic nation-state in most of the countries that comprise the so-called developing world. The greater part of humankind continues to exist with low incomes, in poverty, technologically backward and governed by authoritarian regimes or, at best, in low-powered democracies.

At the beginning of the twenty-first century, after more than sixty years of theories of development and development policies, some 156 countries are still ‘developing’ and only four have really achieved development: two city-states, Singapore and Hong Kong (China), and two small countries, South Korea and Taiwan. These four are the only countries where there has been a constant increase in the average rate of per capita revenue since 1960, in addition to technological modernization, a continuous process of income redistribution and a significant shift of population from poverty into the middle class. These four countries account for less than 2 per cent of the population of what the experts have, for the past fifty years, been calling the ‘developing world’.

Consequently, I am once again asserting something that surprised many ‘experts’ when *The Myth of Development* was first published, namely, that development is no more than a myth which helps underdeveloped countries to conceal their misfortune and developed countries to soothe their conscience.

This assertion is all the more true in that we have now actually seen that the biggest obstacle to development, which is what the first edition calls ‘physical-social imbalance’, takes the form of shortages of water, food and energy and rises in their price as a result of the explosive growth of the poor urban population of the underdeveloped countries.

In this new edition of *The Myth of Development*, I also discuss another enormous obstacle to development: the crisis of our civilization, which is not only, as many people believe, an economic crisis, but actually a crisis of our unsustainable urban civilization that is spreading inexorably to all parts of the planet, thus making water and food scarce and expensive and using up contaminating

fossil fuels. Our global urban civilization is incapable of recycling or replacing the fossil energy it uses and which is heating up the planet; so far, it has also been unable to change the patterns of consumption which are destroying its own habitat.

Our civilization thus operates in the same way as a cancerous cell that goes on destroying the organism off which it lives. The crisis is far-reaching in the sense that it is ethical and based on the ideology of material progress at any price, a self-destructive ideology which believes that the planet can provide us with infinite resources and absorb unlimited pollution.

As a result of climate change, the earth has said no to this ideology. Climate change is the most clear-cut reflection of the crisis of our unstoppable urban global civilization. In view of this situation, I once again stress that the classical agenda of the wealth of nations has to be replaced by that of the survival of nations. In each underdeveloped country, a 'pact for survival' has to be adopted to achieve a physical and social balance between the urban population and the availability of water, food and renewable energies in order to avoid national inviability.

I am aware that this subject of national inviability represents a kind of taboo. By stating truths that have been studiously avoided, we run the risk of causing deep discomfort and of injuring false patriotic sentiments, which have only served to mask the historical inviability of the nation-state. I am convinced, however, that such reflection is essential in countries that have wasted the entire twentieth century without achieving development and now have to deal with the crisis of their own civilization.

Excerpt from the Introduction to the First Edition, 2001

In 1967, at the outset of my diplomatic career, I had the invaluable opportunity of participating in the Kennedy Round of negotiations under the General Agreement on Tariffs and Trade (GATT), where Peru played a leading role among the developing countries as a major producer of copper, lead, zinc, fishmeal, cotton and sugar. In those years, all of those raw materials were still very important for the industrialized countries. Thanks to that, Peru was able to gain tariff concessions without yielding a great deal in return.

Twenty years later, as head of the Peruvian delegation, I again took part in trade negotiations under the GATT. This time the matter at hand was the Uruguay Round, the largest series of trade talks of the twentieth century. Peru's main export products were virtually the same as in the previous round, but this time the negotiations centred on manufactures with high technological content and, above all, on trade in services and on standards for the protection of intellectual property. As a result, the developing countries, like Peru, that had neither increased the technological content of their exports in the previous twenty years nor developed competitive international services, nor invented anything of importance, were virtually left sitting on the sidelines in these, the grandest worldwide trade negotiations of modern times.

After more than two decades of diplomatic experience as a participant in international forums and negotiations, I was the dismayed witness to the gradual loss of Peru's negotiating power. I was ending my career as the representative of a country that was archaically inserted in the new global economy, that was still trapped in the exporting of raw materials or slightly transformed products with non-competitive prices, that was increasingly indebted, and that had doubled its population. To make matters even worse, its strategic situation was becoming critical as it switched from exporting to importing fuel and increased its food imports. At the

end of the twentieth century, the World Bank classified Peru among the twelve poorest countries in the world, with more than 40 per cent of its population living on an income of \$1 or less a day.

This inability to function in the modern global economy is hardly an exclusive trait of Peru. The history of the majority of the countries of Latin America, Africa and Asia, since their independence, has merely recorded a gradual process of dysfunction and global marginalization. In this way, a large number of misnamed 'developing countries', undergoing a veritable urban demographic explosion, are finding it difficult, if not impossible, to modernize in order to participate in a global economy that demands increasingly sophisticated manufactured goods and services and uses less of their raw materials and their abundant unskilled labour force.

Despite having been among the founders in the nineteenth century of the modern community of republican nation-states, born under the influence of the American and French revolutions, by the end of the twentieth century the Latin American countries had not been able to join the exclusive club of the developed capitalist powers, which currently has just twenty-four members. It has been said that the Latin American countries lost a decade in consequence of the debt crisis, but the truth of the matter is that they have lost fifteen decades, 150 years, without ever managing to become modern, prosperous, capitalist democracies.

Today, our countries have been overtaken in standards of living and technological modernization not only by Europe and the United States, but also by Japan, Taiwan, South Korea, Malaysia, Hong Kong, Singapore, Australia, New Zealand and Canada. In the nineteenth century, when Latin America made its historical debut, independent and rich in natural resources, those nations were either very poor, semi-feudal countries, or not very prosperous British colonies. The socio-economic landscape of Latin America 150 years ago resembled a European province or the North American frontier. By contrast, today it looks more like the poor countries of the Middle East or Asia. In less than a hundred years, Europe and the United States succeeded in eliminating virtually all their poverty, while in Latin America poverty has become practically hereditary.

I | The Twilight of the Nation-State

Quasi nation-states

Seen from outer space, our planet appears as a blue orb, robed in a thin film of life, the biosphere. Inside that layer, micro-organisms, plants, animals and the human species exist. By dint of centuries of violence and political evolution, the latter gradually organized the earth's territory into different nation-states. Although these entities' frontiers are invisible from outer space, they are ever present here on earth. With the exception of the polar regions and the oceans, not one centimetre of the planet exists without delineation and occupation by some state authority. At the end of the twentieth century, there were more than 195 nation-states, and that number may still increase, with time. This form of political organization continues to constitute the ideal for numerous human communities aiming to differentiate themselves from other groups, to achieve security and prosperity, and to participate on the international stage as sovereign nations. Throughout its history, humankind has given shining examples of heroism, of altruism and of creativity in the name of the nation-state but, in that same name, it has perpetrated acts of cynicism, cruelty, human destruction and environmental waste.

The nation-state, as we know it today, is the product of four hundred years in the evolution of Western political thought. Its foundations hark back to the Renaissance theses about the reasons for the existence of the city-states put forward by Niccolò Machiavelli, and, above all, to the ideas of Thomas Hobbes. Hobbes expounded the most convincing arguments of his time concerning the necessity for a supreme central authority in order to liberate man from his natural, brutish state, and grant him security. Hobbes compared this highest authority to the Leviathan, the supreme biblical monster described in the book of Job, whose power was unparalleled. From that time forward, the Leviathan became the

idol of a new civil cult exalting the 'reason of state', or national interest. In its name, mountains of human sacrifices have been offered. The cult of the Leviathan has encompassed a great variety of rituals, from absolute monarchy to democracy, passing through Nazi-fascist and communist totalitarianisms on the way.¹

The absolutism of European monarchs was the human incarnation of the Leviathan. During the sixteenth century, the monarchs extended their reign over feudal lords, counties, duchies, free cities, and in general over all the feudal powers of that time. They imposed a recruitment method for the royal armies, applied a centralized system of tributes, minted money, created the public treasury and established the nucleus of what would become modern state bureaucracy.²

The continual fighting under royal flags and emblems, the hegemony of a common language over Latin and the existing dialects, as well as the adoption in all the kingdoms of Europe of the Christian religion, in its Catholic or Protestant versions, all combined to increase each population's identification with the monarchy and to fortify the state, lending it the significance of the present-day nation-state. In 1648, the Treaty of Westphalia, which put an end to the wars of religion under the European monarchs, established the classic characteristics of the modern nation-state, closely patterned on the attributes of monarchy. Since that time, states have been seen as sovereign and equal, as were the kings before them. There is no authority or entity above them. All are Leviathans and, as such, are supreme, sovereign, equal and independent powers. Somewhat later, Louis XIV of France and Frederick the Great of Prussia personified this absolute sovereignty, with enormous bureaucracies and great military power.

With the independence of the United States in 1776, the monopoly of sovereignty held by the monarchies began to disintegrate. That revolution laid the foundations for the cult of the state under republican, democratic procedures and the respect for the individual's civil and political rights. In 1789, the French Revolution adopted the American principle of guaranteeing individual freedoms. However, instead of investing sovereignty in the people, as decreed by the United States Constitution, it placed sovereignty

in the hands of the ‘nation’, a new, abstract concept born of French rationalism. The Declaration of the Rights of Man and of the Citizen, of 1789, proclaimed that no individual could exercise any sort of authority that did not emanate from the nation. But what was the nation? According to Sieyès, the nation was nothing but the third estate, or the general will of the majority, as Rousseau had propounded.

The French revolutionaries could not have imagined the totalitarian consequences that might derive from the interpretation of this idea of the general will. In fact, the Jacobin revolutionary terror shortly thereafter proved very proficient in interpreting the general will and representing the nation above individuals, especially if these individuals were aristocrats or enemies of the Jacobins. Thus it was that, paradoxically, the exaltation of the nation allowed the Leviathan to increase its power and to override the human being’s individual rights. Consequently, it is not surprising that, from that time on and throughout the ensuing pages of history, totalitarian interpretations should arise, confusing the general will of the majority or of the ‘nation’ with that of a predominant ethnic group or a predestined social class. The Nazi state and the Soviet state were perverse results of the personification of the general will in the Aryan race or the proletarian class. Ideologies such as Nazism or communism, perhaps inspired by Rousseau, were very distant from Jefferson, whose main concern, following Anglo-Saxon tradition, was the protection of the individual’s inalienable liberties against the Leviathan’s excesses or excesses of any other political abstraction, such as the ‘nation’.

Without a doubt, it was the Industrial Revolution in Europe and the United States that put the final touches to the modern nation-state as we know it today. The development of industrial capitalism identified the cult of the Leviathan with the creation of a national market and a beneficial integration into the international market. The paradigm of a nation-state that was sovereign, integrated and united – not only by ethnic, cultural and religious ties, but also by the material well-being of its population – prospered in various parts of the globe. To the Leviathan cult was added the concept of national economic progress. In this way, the new civil

religion, originated with Hobbes, was brought to its completion with the prediction that personal prosperity and happiness would be achieved through the growth of the nation-state's gross national product (GNP). Thus were born the twin myths of progress and development, which still today are pursued as El Dorado by the majority of the backward and underdeveloped countries which have never undergone a real capitalist industrial revolution.

The illusion of a republican and democratic nation-state, where the people's well-being and happiness would be assured, was fundamentally the product of the American and French revolutions. After that era, it began to take root all around the world. In the nineteenth century this idea finished off the Spanish and Portuguese empires, giving rise to the new Latin American republics. At the beginning of the twentieth century, as a result of the First World War, the ideal of the nation-state destroyed the multinational Austro-Hungarian and Ottoman empires, and gave rise to new states in the Balkans and the Middle East.

After the end of the First World War, the dream of having a state of one's own grew ever stronger; this was as a consequence of the principles proclaimed by Woodrow Wilson, and confirmed in the Versailles treaties, concerning the right of nationalities to create their own state organization. Wilson's misguided idealism awoke the dragon of nationalism in all its guises. Starting with Versailles, every human group endowed with some ethnic, cultural and religious affinity felt that it had the right to become a state, even though it did not constitute a true nation and did not have the economic and technological means to be viable. Thus the cult of the Leviathan had reached its apex.

The nationalist dreams of the twentieth century relied on the principle of self-determination as their political and juridical instrument. Its application so far has been based on the assumption that as many nation-states can be created as there are nationalist elites that wish it, with no thought for these new states' governability or viability. The only thing needed is international recognition. While independence admittedly gave dignity to peoples who had been the victims of domination and discrimination, it did not necessarily create viable nation-states. The result of this is that a large number