

# Book Reviews

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## **The Other Path:**

Hernando de Soto, New York, Harper and Row, 1989, Hardback, ISBN 0 06 016020 9, pp. 271, \$22.95

### **TWO VIEWS**

I.

This book has been a best seller in Latin America under the title *El Otro Sendero* — an obvious allusion to the alternative model for development being pursued by the Sendero Luminoso (Shining Path) movement who, today, control almost a third of the territory of Peru. The author is president of the Peruvian Instituto Libertad y Democracia and a member of the United Nations Committee for Development Planning. He was a former managing director of the Central Bank of Peru and he completed his undergraduate studies in Geneva before being employed as an economist with GATT. The foreword is by the famous writer, Vargas Llosa, now turned politician whose movement, Libertad, has recently united the right in Peru. He is expected to succeed Alan Garcia as president. Vargas Llosa, too, has studied and lived abroad. The book is produced with the cooperation and support of the International Centre for Economic Growth (ICEG) a non-profit public policy organisation based in the US. ICEG was founded in 1985 “to sponsor and promote research on sound economic policies”.

De Soto advocates a laissez-faire

economy and the removal of controls by the “mercantilist” state. His heroes are the vast numbers of Peruvians who are involved in the black economy forced on them by state regulation. The informal economy should be seen as a solution to the problems of the Third World rather than as a problem which governments have to “solve”. Vargas Llosa highlights the political implications of such an economy of slum dwellers: “we hear nothing about what so many Third World revolutionaries are advocating in their name — violent revolution and state control of the economy. All we hear is a desire for genuine democracy and authentic liberty.”

The problem, according to de Soto, is the state itself. Bureaucratised and law-ridden, it hinders the production of wealth by its continued attempts to satisfy the needs of competing commercial interests for its own political purposes. This process he calls “redistribution” and he therefore describes the state as “mercantilist”. In pursuing its own political aims in a traditional manner the state has totally failed to adjust to the rapidly changing situation of the past forty years during which the population trebled and the urban sector increased from one-third to two-thirds of the population as a result of heavy migration from the Andes. The financial crises of recent years — an inflation rate of forty five per cent per month and the rapidly falling value of the currency since 1985, from less than 20 per US dollar

to 3,000 per dollar — has completed the chaos.

For almost two decades now economists of de Soto's persuasion have been content to repeat the slogan - "get the government off the backs of business and allow it to produce the wealth". In all this time, as the state has been withdrawing from economic domains, none of these ideologists has attempted to back up such assertions by research—to estimate, for example, by how many percentage points the state would have to withdraw in order to get one percent increase from the private sector. The merit of de Soto's work is that, while he does not go that far, he has, with the assistance of his Institute colleagues, provided a wealth of information about the black market. Housing, distribution and transport are explored in detail. The extent of the market, its organisation and processes, the pattern of its evolution and its advantages and limits are revealed in depth for the first time. Half of all housing, more than four-fifths of distribution and ninety five percent of transport are in the informal sector. It is primitive, violent and even savage but no one who has visited Peru can fail to be quickly impressed and fascinated by the resourcefulness, vitality and ingenuity of this ubiquitous sector.

By far the most important contribution of this book is the chapter on the role of the legal system in hindering economic development. Only one percent of laws pertaining to business are debated in parliament. The rest are the result of ministerial orders made at the instigation of interest groups who support the regime in power. For those not in the inner circle the sheer cost in time and

money of trying to find a way through the labyrinth is a major handicap. De Soto's researchers had to spend 289 days to get the eleven permits they needed to set up a garment factory. The cost in time and money amounted to thirty-two times the normal working wage. Bribes were solicited ten times in return for a speeding up of the process but were paid only twice as a last resort. Likewise, the cost of access to housing (seven years delay and several thousand dollars), state owned wasteland and the setting up of a market were shown to greatly hinder development.

De Soto amply demonstrates the price of staying within the law, but he shows, too, that the informal economy is also handicapped by costs arising from such sources as the insecurity of property rights, the inability to enforce contracts legally, the lack of limited liability, proper insurance and succession rights. The ultimate effect of the legal system is to reduce investment, depress productivity and greatly increase the burden of taxes on those who stay within the system. The outcome of this chapter is that henceforth a study of the role of the legal system will be a necessary part of the study of development in any society.

De Soto concludes with a plea for a non-violent solution to the problem of an archaic, inefficient, and ineffective legal system of the mercantilist type. The spread of the informal economy he sees as a non-violent revolution which contrasts starkly with the violence of the followers of the Sendero Luminoso. Both left and right, he argues, view the informal economy as the problem. Both support the archaic mercantilist

system. The Other Path suggests that the problem itself offers a solution, i.e. to use the energy inherent in the phenomenon to create wealth of a different order.

The popularity of this book undoubtedly arises from the empirical support it appears to offer to the popular ideas of the past twenty years which define the state bureaucracies as the problem and the industrious small businessman as the solution. A second avid readership will be found among those interested in the solution of the terrible problems of urbanisation without industrialisation found in Third World cities swollen by migration. Although *The Other Path* has much to offer by way of stimulating and provocative hypotheses, simple extrapolation to Third World or Irish situations would be very misguided. The political, cultural and administrative hegemony of Lima over Peru has seldom been matched elsewhere. The message is relevant only in situations where bureaucratic structures hamper economic initiative inordinately. In the Irish case, emigration has reduced the pressures in urban areas and the bureaucracies themselves have engaged in development to a considerable extent. We have plenty of entrepreneurs but too few larger firms capable of competing abroad. De Soto does not deal with this aspect of development. The relevance of de Soto for us is an empirical question deserving much more careful thought than that which went into the advocacy of Denmark as a model for Irish economic development.

Finally, readers interested in development in the Third World will find it remarkable that a book by a

member of the U.N. Committee on Development makes so little reference to the problem of foreign borrowings, which has depressed the level of living by approximately ten per cent in Third World countries. The reduction of the level of living in Peru, today, to that of twenty years ago is not due solely to the weaknesses of the national economy.

*Paddy O'Carroll*

## II

Vast shantytowns dwarf the downtown core of every city in Latin America. They have sprung up since the 1940s to house the massive migrations from the countryside; their populations live a marginalised existence outside the "formal" economy, many peddling food, knick-knacks and services on the street. Growing out of this humble form of free enterprise, however, there has developed a tremendously dynamic and important sector, the informal or "black" economy; according to the researches of Hernando de Soto, Peruvian economist and businessman, it now accounts for almost 40% of his country's national income, 95% of the urban transport fleet, 40% of Lima's housing stock, and the predominant portion of the retail distribution of consumer goods in the capital.

De Soto documents his research in *The Other Path*, a book which topped the bestseller lists in Latin America; an English translation has just been published to wide acclaim. The book not only represents the most serious research into the operation and importance of the informal economy in a Third World country; it is also a carefully argued and stimulating political manifesto detailing how the

Latin American system must be changed in order for this economic dynamism to be harnessed so that the region can catch up with the developed industrial economies.

Drawing an analogy with the economic system which prevailed in Europe between the 15th century and the onset of the Industrial Revolution, de Soto convincingly portrays Peruvian, and by extension Latin American, economies as "mercantilist" rather than as "free-market" capitalist systems. While both systems are based on private property, the state under mercantilism regulates all aspects of economic activity, controlling by various procedures the number of producers it allows operate in any sector of the economy. Because competition is restricted in this way these legal or "formal" firms possess a degree of monopoly power, which enables them to reap extra profits. Potential producers vie with each other to win the favour of the bureaucrats and politicians responsible for granting these monopoly rights, and so time, energy, and labour are diverted away from production to become tied up in lobbying, in bribery, in red tape, and in developing political connections. Under free-market capitalism, on the other hand, state intervention in economic procedures is confined largely to specifying standards that products must meet; any firms willing to meet these standards are then free to produce. This latter system facilitates competition, keeps prices and profit margins down, and stimulates economic efficiency and its ultimate measure, income per capita.

All of this ground has in fact been the subject of much research in recent years; Douglas North (*Structure and*

*Change in Economic History*, 1975), Mancur Olson (*The Rise and Decline of Nations*, 1982), and Anne Krueger ("The Political Economy of the Rent-Seeking Society", *American Economic Review*, 1974) studied how interest groups reduce economic growth in their struggle to have the state grant them monopoly powers. What de Soto's work adds to these analyses is a study of the pressures that build up when floods of migrants driven or drawn from the land find themselves excluded by the monopolised formal economy, which is designed explicitly to keep at bay the competitive threat they represent to those controlling the established housing, transport and retail trade industries.

Migration to the cities in Latin America has been so vast that it has not proved possible to keep the informals at bay. They have constructed their own economy, invading private and state lands, building their own housing estates, developing their own public transport systems to serve these areas, and ultimately taking over from a formal sector whose flexibility is hindered by the massive red tape that binds legal economic transactions. (Anyone who has changed money speedily and efficiently on the Latin American black market, and sluggishly and frustratingly through the legal channels will take the point immediately!)

Even though the informals have managed to enter the economic system through the back door, the entire institutional structure is inefficient, de Soto argues, both because of the resource-diversion discussed above, and because the informals have little access to the credit and legal systems; investment is

low and production occurs on an inefficiently small scale because of fear of detection and expropriation.

Even labouring under these constraints, however, the informal sector has shown itself capable of tremendous entrepreneurial dynamism and wealth-creation. The way forward, de Soto argues, and the only way to release the pressures towards violent revolution that build up when a large and growing proportion of the population finds itself excluded from the potential for upward-mobility, is to change the legal and institutional structure from a mercantilist monopolistic system to one which would enable the development of a competitive free market.

All of this is insightful, I feel. While we might agree that potential economic growth, and the well-being of the poor, would expand under a free-market system, however, de Soto fails to convince when he attempts to develop from this a theory of underdevelopment: "All the evidence suggests that the legal system may be the main explanation for the difference in development that exists between the industrialized countries and those, like our own, which are not industrialized". Mercantilism, however, has continued to predominate in Latin America not because no-one until now has realised its inefficiency, but because it has operated, and continues to operate, to the benefit of powerful groups who accordingly have a vested interest in its maintenance. How such groups have been able to maintain their dominance and keep in place the system that favours them is the political question that must be faced if de Soto's line of reasoning is to be taken to its conclusion.

De Soto ignores the fact that land holdings are concentrated in a small number of hands; this is one of the crucial factors behind the massive migration to the cities. The concentration of industrial ownership in a relatively small number of hands is the major factor explaining the tenacity with which the formal sector has been able to maintain the mercantilist system. So a narrow distribution of wealth and power goes a long way towards explaining Latin America's problems; the debilitating mercantilist institutional and legal system is primarily a tool for maintaining this status quo.

It is of course the extreme difficulty in changing the vastly unequal distribution of wealth that explains the extent and intensity of political violence in the region. For de Soto's proposals to be put into practice, given that they will entail some redistribution away from those who currently hold wealth and power, some major actor in the political and economic process must be found to force them through.

That actor, incredibly, is not mentioned once throughout the book. It is, of course, the United States. De Soto's proposals will have their best chance of being adopted if US pressure is brought to bear on Latin American governments to reorganise their economies in this way. Presumably this has not occurred in the past because multinational companies, particularly in the agribusiness and mining sectors, have as part of the formal sector reaped some of the rewards generated for the elite by the existing system.

The time may now be ripe for de Soto's ideas to win favour, however, since the huge Latin American foreign

debt means that it is now in US interests to push to have all the productive capabilities of the region harnessed. This kind of institutional change, were it to come about, could be the silver lining to the dark cloud of the debt.

Whether such institutional changes would be sufficient to wipe out the threat of the Sendero Luminoso, without direct redistribution of land at least, is, however, questionable.

In taking the analogy with early European mercantilism to imply that a Peruvian or other LDC free-market economy could industrialise in the way that the European countries did, de Soto again seems to place too much faith in the curative properties of an unaided market. Sidney Pollard, a leading economic historian of the industrialisation process has pointed out the extra difficulties faced by late industrialisers: "Not only is it true that the later they are, the wider the gap in technology and the greater the differences in social structure that have to be bridged; but also the larger the pack of competitors baying at their heels, and the narrower the backward world still open to them." Industrial policy involving a high degree of state intervention in the economy, rather than reliance on the unaided free market, seems to have been the route followed by Japan and other successful Asian late industrialisers.

To summarise my judgement on the book, then: as a study of the informal sector, of the proximate causes for its being forced to remain informal, and of the resulting costs to society in terms of productive efficiency, *The Other Path* is excellent. As a set of proposals representing a first step towards improving the lot of

the dispossessed in these societies, it is practical and timely. As a theory of Latin American underdevelopment, however, and hence as an estimate of the ultimate benefits to be derived from the proposed programme, it is, I feel, deficient.

*Frank Barry*

**Modernising Hunger — Famine, food surplus and farm policy in the EEC and Africa, Philip Raikes,**

CIIR, James Curry, Heinemann, 1988, ISBN 0 85255 112 6, pp 280, £9.95.

**"Cap Briefing", Numbers 1-19,** Catholic Institute for International Relations, October 1987 - February 1989, London.

**European Parliament Report of Committee on Development and Co-operation on the Common Agricultural Policy and the developing countries,**

Doc A 2-359/88, January 1989.

The coincidence of the famine in Ethiopia in the mid 1980s with record food stocks in the EEC and US and depressed world prices created a legitimate sense of outrage among many people. The outrage led to varied reactions. At one level there was the demand to "move the mountain" of food to the starving people. At another level, the deadly paradox of food surpluses and starvation focused attention on the policies in developed and developing countries which led to the situation. The book by Philip Raikes and the reports by the CIIR and the European Parliament which are under review form a useful addition to the

growing body of literature on these policy issues.

Philip Raikes' book is divided into two parts. Part one deals with Africa; its food gap; an outline of the "African crisis", (including its debt and economic crisis); and food shortages and famine. Part two examines the international dimensions of the food and economic crisis facing Africa. It looks at trends in world food production and trade; at the EEC and its policies which impact on Africa, including food and project aid and the Common Agricultural Policy (CAP). A final chapter entitled "Perspectives on the African Food Crisis" attempts to pull the strands of fact and argument together, to permit some general conclusions.

There are a number of positive things about this book. One is the author's well developed sense of scepticism. This is applied to a very catholic range of targets, from FAO food production statistics to the usefulness of econometric models in projecting the outcome of agricultural trade liberalisation to monopoly state marketing arrangements in Africa. He also displays a healthy disdain for blueprints to achieve development. There is much evidence throughout the book that his extended contact with the rich complexity of African life has tempered any temptation to advocate rigid models for development.

A central part of Raikes' thesis is that the model of western agricultural development with its intensive use of capital and chemical inputs and its push towards higher productivity is not appropriate to solving the food and hunger problem in Africa. He fears that Africa cannot afford such a model, in terms of its import capacity,

environment and its difficulty in creating non-agricultural employment.

While accepting the validity of a central part of his thesis about the inapplicability to Africa of a certain type of western agricultural "progress", one would have wished to see expressed more clearly an acceptance that the development and diffusion of productivity enhancing technology must lie at the base of African agricultural and economic development. Such technology has to be firmly grounded in existing farming systems and in sound environmental practices. The development and putting into practice of such technology is a major task for research institutes, extension agencies and aid programmes. It obviously has to be implemented in tandem with a growth in income and employment opportunities in the non-farm economy.

In his discussion on the impact on African food security of existing international agricultural trade practices (including those related to the CAP), Raikes essentially plays down the importance of the issue. He points out that the current crisis in Africa is a highly complex affair concerning not only food imports and hunger, but large and growing external debts, severe shortages of foreign exchange, major deficits on state budgets and the virtual collapse of a number of economic factors, notably transport, industry and administration. Faced with this agenda of problems, the impact on Africa of CAP and agricultural trade reform, while not unimportant, needs to be kept in perspective.

Apart from the development of the central elements of his thesis, there

are a number of chapters (e.g. on the world food economy, food aid etc) where a lot of facts are assembled in a very workmanlike way. In his concluding chapter, there is a sense of pessimism about the future. Part of this may be his tendency towards being the "two-handed" economist and seeing the two sides to every problem - and indeed to any possible solution. While he says that the purpose of the book is not to draw general conclusions but to stimulate thought and discussion, and it is clear that he is not a believer in the "grand strategy" of development, this reviewer felt that it would have been useful at least to set down the principles for practical action, within the limits of the political realities which exist in the African situation.

The CIIR papers entitled *CAP Briefings* consist of a series of nine papers, containing in all nineteen articles, and produced over the period from October 1987 to February 1989. The articles are written by specialist writers in their fields and the standard is uniformly high. The high standard and the fairly specific nature of some of the topics covered have not presented a barrier to readability.

A major issue covered in the series is the international agricultural trade problems which result from the policies of the major world producers and consumers. The impact of these policies and trade practices on developing countries, and on Africa in particular, is examined. A number of these issues are of particular relevance in the context of the present GATT negotiations, which have as a central aim the liberalisation of agricultural trade and the reduction in the levels of agricultural protection which have hitherto existed. One of the major

conclusions to be derived from this discussion is the very sharp divergence of interest which exists between developing countries in regard to certain of the ideas being discussed in the GATT negotiations (e.g. a change in the EC import arrangements for oilseeds).

Another major focus in the CIIR papers is the process of CAP reform, particularly in relation to changes which may be brought about for environmental reasons. The growing awareness of "green" issues means that many of these changes are now moving into the realm of practical politics. CIIR papers number 10-12 list 15 principles for "green agricultural policy". It will be interesting to monitor the progress of these principles.

Finally, the report drawn up on behalf of the Committee of Development and Co-operation of the European Parliament on the Common Agricultural Policy and the developing countries is a well written and clear summary of many of the issues covered by Raikes and the CIIR papers. In conclusion, it advocates a relatively cautious approach to change in international agricultural trading relationships. This is probably in line with the practical politics of the situation.

However, it is encouraging that the European Parliament is committed to maintaining a keen interest in the changes in trading arrangements and in other key issues (debt relief, aid) which will affect the relationship between developing and developed countries. In the context of the current GATT negotiations, which are now moving into their substantive phase, formal recognition has been given to the concerns of the

developing countries. There is a commitment to take account of the possible negative effects of the reform process on net food-importing developing countries and on the need for special and differentiated treatment in trading relations for developing countries. These are issues which the European Parliament might usefully monitor, to ensure that actions match up with rhetoric.

*Tom Arnold*

### **Uprooting Poverty: The South African Challenge,**

Francis Wilson and Mamphela Ramphele,  
W. W. Norton & Co., New York &  
London, 380 pp \$27.50,  
ISBN 0 393 02610 8

Racism, the superiority of one race over another, becomes a self-fulfilling creed when, over a period, the law is used to depress the condition of a people to such an extent that the points of contact or reference between the haves and have-nots are so far apart as to make reference almost irrelevant.

There is not anything very unusual in colonists using or shaping the law to such ends. In our own history we are aware of the Penal Laws which, while they may have been indifferently applied, were aimed at reducing the native Irish to the level of survival. More recently we have seen the outline plans which the Nazis had for eastern Europe, as well as the "solution" they evolved for the Jewish people. All expansionists and colonists evolve systems and ideologies to justify their actions and to safeguard what they have unjustly acquired. Law

gives legitimacy to such plunder, at least in the eyes of the law-makers and the plunderers. The plundered, however, never accept these kinds of laws, this created legitimacy.

This excellent book dissects the poverty and deprivation which the majority of the people of South Africa endure today and outlines various strategies which may be employed to redress the situation. It is a depressing book in that the scale of the poverty discussed is great, the gulf between the status of the races so wide as to make the possibility of Fabian reform almost frivolous. It is a system which, because of its untenable base, cannot be reformed. It requires bold transformation on a massive – and dangerous – scale.

This Report of the Second Carnegie Inquiry into Poverty and Development in Southern Africa is the successor – after an interval of fifty years – of the first Carnegie Inquiry into Poverty among White South Africans. The Second Carnegie Inquiry began in 1980 and this book is no more than an overview of the hundreds of research papers written as part of its work. It documents in Part I the many faces of poverty, including unemployment, hunger and sickness, housing and environment, literacy and powerlessness. It then analyses the many causes of poverty before turning in Part III "towards transformation".

South Africa has the highest level of inequality among the fifty-seven nations for which statistics are available. In 1980, 50% of the population lived below the poverty line. On the reserves or homelands, 81% of the people lived in dire poverty. In 1970 the richest 20% of the population owned 75% of the

wealth compared with 39% of wealth in the United States of America.

As might be expected, this inequality is fully reflected in wages and therefore in disposable income. In 1983 annual disposable income per capita was estimated as follows:

Whites	R 6,242
Asian	2,289
Coloured	1,630
African (Metro. areas)	1,366
African (Reserves)	388

In 1980, 11 million Africans lived in the reserves which, in effect, constitute an administrative device whereby the poor are further marginalised. However, in income terms the reserves are not the lowest. It is the Africans living in the commercial and white-owned farmlands who fare worst. In 1980, 20% of Africans lived in the smaller villages of the platteland and earned a mean annual income of R 670, while in the reserves the mean was R 925.

The reserves, nevertheless, contain the greatest poverty for two reasons. First, the total area is small and the population density is very high. For instance, the area of the Ciskei homeland is 5,300 sq. km. which means that it could support 47,700 people living permanently on the land. In 1980 this land carried a population of 435,000, nine times greater than the land could carry. South African government policy aims at increasing the numbers living in these reserves. Between 1970 and 1982 the population of Ciskei doubled, partly natural increase, partly redrawing boundaries, partly forced removal of Africans to the "homeland".

This population pressure is reflected in landholding statistics from

one district in Ciskei where in one generation (1946-82) the average size of land-holding fell by 75% from 1.72 ha to 0.43 ha. Landlessness increased from 10% to 43% of all families. Throughout Ciskei as a whole, landlessness falls within the range of 20-30%.

To all these indicators of poverty must be added the migrant labour system which draws off the able-bodied to the mines and often leaves behind a labour shortage for the heavier work of cultivation in the homelands. In one survey of a district in Kwazulu it was shown that of those at home between the ages of 20 and 50, 81% were women. The basic fact, however, is that the people do not have the land on which to make a living. The result is malnutrition on a massive scale.

Unpalatable and accusing statistics, however, need not be compiled. Since 1968, kwashiorkor, the disease of starvation, has not been a notifiable disease in South Africa, though in that year, 11,000 cases were reported. Nevertheless, a conservative estimate in 1975 was that between 15,000 and 27,000 children under 5 died from malnutrition. By the beginning of the 1980s it was estimated that 136,000 children under 15 were less than 65% of expected weight for age. When it is taken into account that more than half of the African children lived in the reserves, it has to be concluded that several hundred thousand children are at risk. Infant and child mortality rates reflect these findings.

It goes on: tuberculosis, dysentery, gastro-enteritis, illiteracy, foul water, all the familiar catalogue of poverty. Add to it all the calculated diminution of human dignity which underlies all this deprivation and we are faced with

a problem of vast dimensions.

Change in South Africa requires a redistribution of land, massive spending on health and education, all of which while reducing inequality will cost the white population quite a lot. Among this population there are many who genuinely identify themselves as African and who could not see themselves living elsewhere. For all the injustice, all the calculated injuries inflicted, the region needs its white population for the skills and expertise contained in it, so vital for development. The African leadership recognises this and proposes a multi-racial South Africa wherein the inequality so prevalent today may be ended and the races live in harmony.

There is change in South Africa, small, perhaps, but growing. In the face of evidence such as that given in this Second Carnegie Report on Poverty in South Africa even the most ultra-montaine Afrikaaner must wonder how long more the situation can continue as it is.

*Tony Meade*

### **Industry and Economic Development, The Challenge for the Latecomer,**

Eoin O'Malley, Gill and Macmillan, Dublin 1989, 306pp, £25.00, Hardback, ISBN 0 7171 1682 4.

The purpose of this book is to illustrate the problem of industrialisation for late developed countries compared with the early developed countries. Ireland is used as an example of a latecomer.

The book is divided into ten chapters. The first chapter is an introduction and the last a summary and conclusions. Chapter 2 is the

theoretical part of the book. It outlines different development strategies available for developing countries. It is very critical of the market-strategy or, as it is called, the outward-looking strategy. Barriers preventing latecomers from entering the world market are also outlined. These barriers include shortage of capital, inadequate education and some political and sociological factors. One crucial factor is that many countries have to import most of the capital goods used in production. In many areas there are at the same time economies of scale, which make it very difficult for latecomers to get into the market. Brand identification and customer loyalties can also be a problem for a developing country.

O'Malley concludes that the industry of less developed countries will be concentrated in areas with low entry barriers resulting in lower income.

It is argued that LDCs and NICs cannot rely on export-oriented foreign investment because this will be too small to make a major impact on their industrial development. This argument however, is not convincing. Multinational companies will continue to diversify their investments and will invest where they can have the biggest return. This does not however, necessarily mean, that there will be great advantage for the local country. This is in fact what O'Malley describes in Chapter 8 for Singapore and Hong Kong.

The problem is that foreign investment can create a high dependency and only a small improvement in the balance of payments. The reason for this is that profit will be repatriated. At the same time, it may only improve the

employment a little due to the capital intensive nature of its production. The National Economic and Social Council's latest report about the Single Market (Table 4.3) shows a high productivity increase in Ireland since 1979 yet a fall in the total employment (-6.4%) and in industry (-17.3%) in the period 1980-1986.

Chapters 3-7 describe the Irish case both historically as well as today. They are very well written chapters, giving a fine insight into the situation of indigenous Irish industry and the reasons for this. They also show why an outward-looking strategy can be a problem.

This problem is also considered in Chapter 8, which describes the experience of other latecomers - Japan, South Korea, Taiwan, Singapore and Hong Kong.

Japan is mentioned as an example of a country with a protective and selective strategy - "picking winners". South Korea and Taiwan are also described as countries with protective and selective interventionist strategies. All three countries had very high financial support from the US after the Second World War due to American foreign policy — and this cannot be expected for many other developing countries. For these three countries O'Malley argues that they have overcome the problems of latecomers without using an outward-looking strategy.

The same is not the situation in Singapore and Hong Kong. Instead their growth has been due to the huge amount of foreign investment. They have not overcome the problems of latecomers and will face very big problems in the years to come.

The book concludes that it is not

advisable for LDCs to rely on a conventional market-based industrialisation strategy. I agree that an outward-looking strategy based on market solutions is not effective without active and selective intervention in the economy. The latter is necessary not only for industrialisation but also to achieve distributional, allocative and macro-economic stabilisation goals. However, I do not find the suggestions in the rest of the book on how to overcome the problem for latecomers wholly convincing.

For example, it is argued that a protectionist and selective strategy should be implemented. A "niche" strategy with a significant state initiative is also suggested as a way to solve the problem for the latecomers. There are many arguments for this, but two main problems arise: First, how to choose the industries? and secondly, how to avoid inefficiencies due to protection?

I would suggest that latecomers and LDCs should start to analyse which are their strong and which are their weak positions. Danish industrialisation and later development can be seen in this light. The strong position now of Danish industry has developed from previous areas of strength, i.e. processing of food, beverages and tobacco, shipbuilding, construction, manufacture of drugs and medicines.

A strategy following the strong position and with some diversification - to avoid dependence on one product - will be a way of using a comparative advantage. Perhaps this will not in the beginning make a country highly technologically developed, but it will give some opportunities. It is possible that the

industry in the early years will need some protection, but in the long run this is not a solution.

One problem of course, as argued in the book, is that high incomes arise in the newer industries where high barriers to entry exist. But it is difficult to start with highly developed technology particularly in developing countries with high unemployment and low educational standards. In addition there is the risk that this strategy will not improve employment or the balance of payments.

I can recommend the book as a consistent analysis of the industrialisation problem for latecomers. It has a very good theoretical analysis and a fine empirical description of Ireland's indigenous industry. The suggestions deserve further examination as a way for Ireland and other latecomers to overcome the barriers of entry.

*Bent Greve*

**The Developing World — an Introduction to Development Studies through Selected Readings**, Anna Farmer with Mary McEvoy (eds), DESC Development Education Support Centre and Development Studies Centre, Kimmage Manor, Dublin, 1988, 291pp, £7.95, ISBN 0 9513923 0

The Development Education Support Centre (DESC) was established in 1986 by the Department of Foreign Affairs as part of Ireland's programme of development co-operation. It is charged with promoting awareness and understanding among Irish people of development issues in Third

World countries and Ireland's role in international development efforts.

*The Developing World* is the core text for DESC's Open Learning Course in Development Studies. It is complemented by a "Study Guide" prepared by DESC and seven half-hour radio programmes broadcast by RTE and available on cassette from DESC.

The volume focuses on the continuing crisis of hunger, famine and debt, particularly in Africa, and includes discussions of the meaning of development, theories of development and underdevelopment, concepts of poverty, the subordination of women, the idea of "the Third World" and the shifting patterns of international trade and world market production.

The 22 readings are divided into 3 sections: "Thinking About Development"; "Food, Famine and Population"; and "The Changing World Economy". Each section begins with an Introduction by the editors, and the entire volume is prefaced by an Introduction from Fr. Richard Quinn, Director of the Development Studies Centre in Kimmage Manor where the two editors were involved in preparing and teaching courses on development.

The volume includes a number of classic pieces such as Michael Lipton's "Why Poor People Stay Poor" first published in 1977 and extracts from Amartya Sen's *Poverty and Famines: An Essay on Entitlement and Deprivation* published in 1981. There are 4 readings on women and development; 2 on the role of multinationals in development including the only Irish authored piece by Eoin O'Malley on "The Problem of Late Industrialisation and

the Experience of the Republic of Ireland”, and two pieces on the Debt Crisis.

The topics covered in the core text are selected and the text does not claim to be comprehensive. The radio programmes cover more or less the same topics but there is no attempt to link the book and the programmes directly. This is unfortunate. The resources would form a more coherent whole if the programmes had been used to assist students more directly by exploring alternative explanations or interpretations to those contained in the readings, or to elucidate key concepts and apply them in real world situations.

The Study Guide accompanying the book makes clear that “the course content is of third level standard and demands for maximum benefit a willingness on the part of students to do some background work themselves, to be prepared to look up reference books and to devote some concentrated time to study each week”. It suggests three ways of pursuing the study course, i.e. as an individual, by forming a self-help study group or by joining a tutor group where such has been established by the local Adult Education Organiser. To date a number of such groups have been established. The course has been offered in a small number of third

level institutes and is under consideration by others. The core text has been incorporated into reading lists in a number of instances.

For the individual student or study group without the benefit of institutional support, completing the course of readings would require a very high level of motivation. It is not designed for the adult with a general interest in development. It would form a useful preparation for the mature student thinking of embarking on a third level development studies course, or as a substitute for such courses for those living far from the centres where they are offered. It is tailored to the needs of this small audience rather than to those of the generalist who wants to learn more about the Third World. The radio programmes on their own, on the other hand would be accessible to a wider audience.

The Study Guide is still in a pilot phase. The feed-back from individuals and study groups following the course will be the acid test of how well the course is meeting their needs.

Details of where courses are underway or in prospect are available from DESC, St. Patrick’s College, Drumcondra, Dublin 9. Tel: (01) 371525/371597 .

*Mary Sutton*