

**Reinert, Erik S. – How Rich Countries Got Rich and Why Poor Countries Stay Poor***Constable, 2007 [Economics]* Grade ★★

The governments in developing countries should actively nurture and protect a number of value adding industries and only allow them to be subject to full international trade competition when they have grown to their full strength. This is a highly acclaimed book in development economics and it is partly written to help developing countries. The author, the Norwegian Eric Reinert, is Professor of Technology Governance and Development Strategies at the Tallinn University of Technology in Estonia and has been advising a number of developing countries through the years, mainly in Latin America. Although, the author has several useful insights this is a frustrating book to read.

Broadly two thirds of the content of the book relate to how the author view the world with regards to the efforts of helping poorer countries to develop economically and then the rest describes how it should be according to Reinert. In the author's view the actions of UN institutions like the World Bank and IMF matters hugely, since the end of the 1980's these institutions employ the wrong economic tools and due to this the "poor countries stay poor". Some of those tools are deregulations, legal property rights, functioning societal institutions etc. that Reinert doesn't object to but often downplays. The most important culprit is instead instant free trade and the use of David Ricardo's trade theories that forces countries to specialize where they have their comparative advantage. Through this poor countries often specialize in low value adding, commodity based industries with scale diseconomies while rich countries do the opposite and over time this expands the inequalities. On top of this the rich countries' international aid is of a type that further passivizes the developing countries and hinders them from taking self-sustaining actions.

Instead of setting up a structure for free markets with perfect competition in the economist's sense, Reinert advocates an industry politic that under

temporary protectionism tries to copy developed world companies, by this creating synergetic clusters of value adding, knowledge and innovation based companies soon strong enough to face the world competition. This will allow for increasing real wages and a growing middle class. With the growing wealth the societal institutions will develop over time.

The first objection to the book is that the "poor didn't stay poor". The last few decades have seen the largest wealth increase in human history. The mindset of the book is grounded in the period of the 1970s to the 1990s. The first paragraph states that half of the world's population lives on less than \$2 a day and the situation is getting worse. This wasn't true at publication in 2007 and it's not true today. According to UN statistics 6,6 percent of the world population lived in so-called extreme poverty (below 1,9\$ a day) in 2019 – after a massive and steady decline over time. This is not to say that the situation is not often awful for a lot of people in the world, but still. Much of the wealth increase in Asia has in fact partly utilized the industry politics that Reinert advocates in combination with the active institutional development of the mentioned UN institutions (who since at least 10 to 15 years mostly focus on sustainability instead of "neoliberalism").

The second objection to the book is its structure and tone. The author is highly polemical and borderline conspiracy theoretical with regards to how the rich keep the poor impoverished - Reinert seams undetermined if this is driven by malicious intent or stupidity. The book is insanely repetitive and wordy with the same few obsessive main points stated throughout all chapters without any obvious progress in the narrative.

This book feels extremely dated. It's stuck in-between the 1970s North-South debate and the anti-globalist movement of the 1990s. This is a shame since it contains some valuable thoughts.

Mats Larsson, January 25, 2022