

# WORLD POVERTY

A review of "The Challenge of World Poverty – a World Anti Poverty Programme in Outline,"

by Gunnar Myrdal (Pelican 1971)

by Mike Murphy

In his "Asian Drama: An Inquiry into the Poverty of Nations" Dr. Myrdal, for various reasons, refrained from concluding the mammoth 2 000 odd page work with explicit proposals for development. In this more recent book he makes up for that shortcoming. Although references to "Asian Drama" are to be found on almost every page, "The Challenge of World Poverty" is complete in itself and does not demand a knowledge of the earlier work in order to be understood. In fact, for the average reader who would never find time to read "Asian Drama", "The Challenge" is an admirable substitute.

Of course there will be those who can not find time to read "The Challenge" either, and it is for these people in particular that this review is intended. However, although I shall attempt to summarise, albeit ludicrously briefly, the main arguments that Myrdal presents, let me stress that "The Challenge" is immensely rewarding reading and should be thoroughly studied before one ventures again to open one's mouth on the topic of development, economics or the Third World.

The book is in four distinct parts. Part two outlines the situation in the underdeveloped countries and suggests what radical reforms these countries themselves need to implement. Part three, entitled "The Responsibility of the Developed Countries" is presented in the light of the needs listed in Part two which require the facilitating action of developed nations before they can be met. Part four handles the political implications of parts two and three in terms of current world politics.

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Part one is a critique of development economics over the last 40 years, with a special emphasis on the Post-World-War-II period. Dr. Myrdal finds himself at odds with the majority of economists writing on the Third World and he takes great pains to explain why he differs by analysing what it is in other economists' approach that has led them to erroneous conclusions.

Myrdal sees what he calls the "biased Post-War approach" as a reaction to the colonial approach which was evident in nearly all discussion of development economics in relation to the Third World up to 1945.

The colonial approach had it that people in the "backward regions" were so constituted that they reacted differently from Europeans: they normally did not respond positively to opportunities for improving their incomes and levels of living. Tendencies to idleness, inefficiency,

reluctance in seeking wage employment were ascribed to peoples' "nature". This approach was aimed at relieving the colonial powers, and the rich nations generally, from moral and political responsibility for the poverty and lack of development of these peoples.

After the War the approach altered dramatically. "Backward regions" became "underdeveloped nations", a term implying the need for dynamic growth. But the research thereafter tended to become "diplomatic", forbearing and generally over-optimistic, bypassing facts that raise awkward problems, or treating them in an excusing or "understanding" way. "Under developed" became, euphemistically, "developing". This tendency to be "diplomatic", glossing over unpleasant facts, was reinforced by a general inclination among economists to construct models and plans for development in terms of the economic forces operating in *developed* countries. In such countries, precisely because economic theory is to some extent based on actual practices in commerce and government it is possible to talk in terms of "pure" economics, though most economists writing on the subject would commence by saying they were aware of all the "social" factors – before proceeding to ignore them. The Western "pure economics" theories simply do not apply at all in underdeveloped countries. They abstract from the very attitudes and institutions which are causing the poverty and low levels of living.

Myrdal maintains that the "diplomatic" and "pure economics" approaches constitute an inadmissible bias, which is all the worse because it is not recognised as such. Value premises are essential even in theoretical investigation – "Things look different, depending upon where you stand" – but these premises must be explicit. Myrdal lists his value premises as the "modernization ideals". For the undeveloped countries there is no possibility of a return to the primitive state. They either progress or stagnate then regress. The modernization ideals, adopted already by underdeveloped countries by and large are rationality, development and development planning, rise of productivity, rise of levels of living, social and economic equalization, improved institutions and attitudes, national consolidation, national independence, democracy at the grass roots and social discipline. All Myrdal's suggested reforms are aimed at bringing about change in this direction.

It will be immediately clear from the above ideals, if it was not implicit in the title of the book, that Myrdal's analysis is macro-economic on the grand scale. But Myrdal has imposed one restriction on the scope of his

macro-plan, namely the exclusion of the Communist bloc. Proposals for development action while not inapplicable to countries that have gone communist, are directed primarily at the "free" third world countries, while the call for facilitative action from developed nations is made in the first instance in terms of the assistance available in the West. This is probably largely because the book has grown out of a series of lectures delivered in America.

Dr. Myrdal commences part two of his work by exploding the assumption, common among Western economists, that there is a conflict between economic growth and egalitarian reforms. He traces this assumption to "the moral philosophies of natural law and utilitarianism out of which economic theory once branched off" (p. 64). "Greater equality in underdeveloped countries" he says, "is almost a condition for more rapid growth." (p. 68), and he maintains that, although the egalitarian reforms in developed welfare states were brought in under the banner of "social justice" despite the economists' threats of catastrophe, these reforms have actually accelerated economic growth. It is only now, in face of this factual refutation, that economists are beginning to question their assumption that "a price must be paid for development".

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In the underdeveloped countries the masses are mostly passive, apathetic and inarticulate. Productivity, for one thing, cannot increase while this situation obtains, but the situation is maintained by social and economic inequality. Poverty is thus inextricably connected with the lack of equality. Myrdal's analysis of the necessary reforms, taking different areas of the economy one by one, sets out how the inequality and hence poverty must be combatted.

Taking agriculture first, he explains that corresponding to the universal low yields per acre are serious nutritional deficiencies among the masses. In fact, had not the U.S., by coincidence and against the contention of its agricultural policy experienced enormous agricultural surplus which was then made available to these peoples, the hunger crisis would have broken out a decade ago. Related to this malnutrition is the exceedingly low productivity of the labour force. Work practices are not labour intensive but labour extensive, so that the low yields are a result of the under utilization of the available labour. The "green revolution" can have little or no effect on the majority of peasants who neither know of the new technology involved nor are in a position to buy the extra fertilizers required. The answer, says Myrdal, is to introduce technological improvements including better seeds and methods, but made effective by increased labour input. Technology here would *increase* job opportunity as well as yields, for better seeds need more soil care, more irrigation ditches, bigger crops to harvest.

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But how to overcome the apathy? Land reform is an essential ingredient. The totally landless workers, seldom less than 25% of the rural populace, are grossly underutilized. Even if the sharing out of land begins with a very small plot for the formerly landless, this should introduce a first measure of incentive. The sharecropping system, so widely practised, is a grass roots example of the inequality stifling development. To bring about land reform great efforts have to be made by liberal forces

in the under-developed countries themselves. The developed countries must aid such a move at least by not strengthening (as they have up to now) the powerful vested interests that have been delaying, distracting or stopping these reforms. At present, as far as liberal elements in the underdeveloped countries are concerned, the West, and in particular America, symbolizes and embodies the forces of political reaction in this regard.

In respect of population, Myrdal stresses that it is the change in the age structure of the population which is the major reason why a decrease in fertility will decrease poverty. At a lower dependency ratio the income per head will increase. Unfortunately, because of present births, the labour force will increase by 2 to 3 percent yearly until almost the end of the century. As in land reform, implementation of effective birth control measure is an internal affair. It must be accepted as soon as possible and as widely as possible, and must be made official policy. The only real help the West can offer here (apart, presumably, from re-educating the Pope) is in the field of research: better, more effective, more readily applicable contraceptive methods.

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Moving to the problems of education, Myrdal asserts that the class monopoly here is, more than any one other single factor, responsible for the continuation of present inequalities. He calls for an attempt to rectify the grossly misleading statistics in an attempt to focus on the areas in education where immediate effort should be expanded, but he stresses that the main reforms required in education are of a *qualitative* nature. The quantitative "investment in man" approach is inapplicable in underdeveloped countries, however applicable it may be in a Western economy. This approach simply-obscures the relevant issues.

As a heritage of the colonial era the underdeveloped countries were left with a school system increasing rather than decreasing the inequalitarian stratification of society. The "colleges" in the colonial era stressed passing of examinations and the acquiring of status. Yet the character of education has not altered to any great extent since the end of that era. The balance is still heavily weighted in favour of secondary and tertiary education. What stress there is on primary education is wrongly emphasized — the quality of the schools and especially of the teachers must be improved before attempts are made to increase the intake. At the same time a concerted adult literacy campaign must be entered into. A UNESCO writer has it that unless an effort is made to spread adult literacy, the primary school drive may well fail due to lack of parental support to children who are striving to become literate. At the present stage of development a halt must be called to the enrolment drive while those being enrolled at the normal rate receive the concentrated attention of the educational officers. After this recouping action, the enrolment drive can be stepped up once more. At present the drop out rate makes a high percentage of educational enterprise so much wasted effort.

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Clearly, the whole tone of schools must be changed to bring in technical and practical studies. In this, as in most of the necessary educational reform, the underdeveloped countries are on their own. Foreign aid can only be of marginal importance.

Dr. Myrdal points out that many of the reforms he suggests are officially accepted in theory by the countries concerned. What happens to the reforms in practice then? The underdeveloped countries are all, though in varying degrees, "soft states", where "soft" refers to lack of social discipline involving bribery, corruption, and collusion between officials, civil servants and influential or powerful people. The effect of this, in all strata of the population, is a greater inclination among people to resist public controls and their implementation. And this, because of the apathy of the masses and the necessity to bring about change from the top — at least to topple legally the vested interests stifling progress — means that government initiatives cannot achieve a fraction of what they should or are intended to do.

How did this state of affairs come about? Myrdal compares the gradual development of the static western community and its transfer of loyalties from family to community as the sophistication of organization grew, with the disruption of social patterns under colonialism. The colonial governor, an autocrat, ruled according to his personal understanding of the situation, his loyalty largely is to "the folks back home". The end of the colonial era did not revive the community organizations destroyed thereby. Instead there remained a legacy of interference in an individualized way and paternalistic assumption of responsibility for people's welfare — the perfect breeding ground for bribery and corruption.

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Thus it is that legislation aimed at ameliorating the lot of the poor strata seldom filters down past influential people — the wealthy, the powerful. These people can afford egalitarian laws and policy measures for they are in an unchallenged position to prevent their implementation. Of course, in line with the "post-war bias", economists have glossed over or completely avoided mentioning the "soft state" phenomenon. Much overseas aid, particularly American, had been poured into the pockets of any but the poor for whom it was intended because of a lack of awareness of this problem.

A first step to lessen corruption would be to bring the big bribers in the business class to court, yet these people and others with whom they are in collusion form the power élite. Perhaps the initial popular acceptance of a Communist revolution is partly due to the fact that it offers the people for the first time, an uncorrupt regime.

A first step to combat the soft state could be the radical streamlining of the vast bureaucratic machinery that has evolved to handle the various price and directionary financial controls. The less steps from top to bottom, the less opportunity for bribery.

Secondly, the West must (apart from pressurizing the elites to stamp out the bribery) stop its own businessmen from becoming involved in the whole vicious circle. If crimes of this nature are made subject to the same sanctions abroad as in the home countries the trouble might well stop, and then it would obviously be in the interest of the foreign businessmen to pressurize the locals into limiting their bribery to affairs that do not affect the foreign interests (otherwise, unfair competition would result)

Myrdal begins section 3 on the Responsibilities of the Developed countries by pointing out that the feeling of collective responsibility for the underdeveloped lands is a new phenomenon, dating only from after World War II. International trade, on the other hand, has been operating for much longer, and the theories of international trade are not worked out to explain the reality of underdevelopment but explain away the international equality problem. The predilection of international trade theory for harmony of interests, laissez-faire and free trade is a bias, opportune to people in developed countries. Contrary to the theory, international trade and capital movements will generally tend to breed inequality and will do so the more strongly when substantial inequalities are already established. Myrdal calls for a controlled market which will favour the needs of the underdeveloped countries. In the absence of a world state it is up to the developed nations to make use of what the poor countries *can* produce without throwing up protective barriers around their own products. This is the case with e.g. tea and coffee which are expensive simply because of the huge fiscal tax placed on them. This tax could easily be transferred to other products and take the pressure off commodities which are trade's life blood to whole nations.

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Technology in the West means that primary goods become less and less important. If they cannot be substituted for, they can at least become a smaller percentage of manufacturing costs. With the decline in importance of primary goods, manufacturing industry becomes all the more important to the underdeveloped countries, yet technology makes the developed countries' produce often superior in quality and cheaper. What is needed is for developed countries *actively to seek out* ways of importing goods from underdeveloped lands, because it is in the *underdeveloped lands'* interest. Failure to do this, it must be admitted, is primarily the responsibility of the peoples in the developed nations, not the "capitalists" or governments. The people are the reactionaries in this instance, and the first step in changing this would be to correct the widespread, false impressions gained from juggling of statistics which tend to indicate that aid is increasing instead of, as is the actual case, decreasing. Myrdal claims that no Western developed nation has made any real sacrifices in shouldering aid obligations to underdeveloped countries. In order to gloss over these facts (for the poverty itself is too enormous to gloss over), statistics have to be juggled. The most often quoted statistics actually leave entirely open the problem of what the total flow of resources from developed to underdeveloped countries amounts to and, indeed, whether there is such a net flow at all to many of the underdeveloped countries, or, instead, an outflow. In fact it may well be that the "outflows" in many underdeveloped countries are as great as, or only slightly less than, the inflows. Meanwhile the results of the unethical statistical juggling are naively accepted by spokesmen and public in both developed and underdeveloped countries.

With regard to Foreign Aid, Myrdal contrasts America's generous, even over-generous, almost unconditional grants to Western Europe after the War, according to the Marshall Plan, with the decline in American aid since about 1961. The vast amounts were given to West Europe under the justification of securing Europe from Communism and this rationale has been continued in respect of subsequent

aid to the underdeveloped countries. The implication is that the aid is actually in America's political, strategic and military interest. When the recipient countries show "ingratitude" for American aid there is thus no reason not to *withdraw* the aid, rather than *change the terms* on which it is given. The whole approach is in terms of America's own interests, a hard boiled attitude diametrically opposed to the humanitarian principles and ideals as expressed in the American Constitution and Bill of Rights.

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The attempt to "justify" aid in terms of the national interest leads to inefficiency and eventual reduction in aid giving. Myrdal points to his own country, Sweden, where the only imperative to give aid has been the moral one. Swedes, Myrdal claims, are very much like Americans, but given the right motives for generosity, have accepted increased taxes in order to increase aid. There must be a strict line drawn between beneficence (implying sacrifices) and business (implying profits). Myrdal proposes that Aid as soon as possible take on a position in developed countries' Budgets that places it on a par with other important national interests. It must be accepted that the under-developed countries are going to need aid, and in increasing amounts, for a very long time, and plans must be made accordingly.

Aid must not be tied to the purchase of the donor country's goods, as is nearly always the case at present. The underdeveloped country must be free to buy on the cheapest available market. Aid must be channeled towards countries which are seriously trying to implement the modernization ideals and must be withheld from those countries that are not. There must be a concerted effort to put aid money in the hands of multilateral inter-governmental organizations.

It is obvious that these proposals demand simple unselfish generosity. But this is well worth striving for, as "it is unrealistic and self-defeating to distrust the moral forces in a nation" (p. 357)

In the fourth and final section of "the Challenge", Myrdal discusses political dynamics in South Asia. He speculates about the future. Will the masses become so utterly impoverished that they eventually revolt? Judging from the present level of destitution probably not. Then will the liberals among the educated elite try to raise the masses by moving into education programs? Possibly. In general, Myrdal is noncommittal about the future when arguing from present trends. He predicts a better tomorrow only if radical reforms are implemented today.

Appendix to section 4 is a chapter intitled "The Latin American Powder Keg". Special attention is devoted to South America because although most of Myrdal's general remarks apply, there are certain important differences.

Standards of living are slightly higher than in Asia, but the disparities between rich and poor are greater. Further, the population is increasing more rapidly in South America, so that the central underdevelopment problems. — underutilization of labour — is also increasing more rapidly. The colossal presence of foreign investment seems to be having the same effect on the apathetic masses as the American interference in Vietnam — there is a slowly burgeoning national unity centred around the hatred of America. However, Myrdal stresses that while this ironic unity in hatred has sunk to the peasant roots in Vietnam, it is still largely restricted to the educated in S. America. But it is growing.

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Dr. Myrdal does not believe that "the revolution" is possible i.e. a popular uprising to liberate the majority. A people has to be far more aware and far less apathetic to achieve such a change. Since the minority governments have a monopoly on education and other means of social advancement the apathy is unlikely to disappear or the awareness to grow overmuch in the foreseeable future. Discussing at some length the unusual happenings leading to the changes in Cuba, Myrdal claims that Castro took advantage of a split in the elite and at least tacit American support to come to power. Only once he was in power could he whip up popular support on a large scale and even then only because Cuba was one of the richest Latin American countries with a relatively aware populace.

The political effect of Cuba on the United States was to bring about a belief that all insurrections against a conservative or even plainly reactionary government lead to Communism. This in turn means that the U.S. will support the status quo in America financially and politically. Myrdal sees the development of a Latin American Fascism as the most likely development.

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Myrdal is a "radical liberal". To those who feel that liberalism is merely vain moral posturing which offers no realistic hope, his only answer would be that it is *unrealistic* to ignore the moral forces in a nation. Clearly, all his reform proposals will not be adopted unless there is moral reassessment in the developed and among the elites in the underdeveloped countries. Myrdal believes that there are forces operative which can be moved to change in the required direction. The "First World" is not yet morally bankrupt.

**There are many who will feel, however, that the struggle to change the attitudes of the oppressors is a much harder one that the struggle to change the apathy of the masses into an awareness that will provide increasing pressure from the bottom. The truth is probably that a struggle in both directions is necessary, for they must complement each other. The immense value of Myrdal's book is that it offers an analysis that both groups can utilise.□**